



FROM PAYSリップ TO PENSION:

LIFE COURSE IMPACTS ON RETIREMENT
SAVING AMONG LOW EARNERS

2026

PART FOUR: MODELLING OF POLICY OPTIONS FOR LOW EARNERS

This report is the fourth part launched in the *From Payslip to Pension: Life Course Impacts on Retirement Saving Among Low Earners* series.

This report examines policy options aimed at improving retirement income adequacy for low earners.

It does so by modelling the outcomes of representative profiles of persistent low earners under a range of alternative policy scenarios, assessing how different approaches may affect their financial outcomes in later life.



ABOUT THE PPI

We're the UK's leading independent authority on pensions and retirement policy. We conduct rigorous, impartial, evidence-based research that shapes better retirement outcomes for everyone.

ABOUT THIS SERIES

The *From Payslip to Pension: Life Course Impacts on Retirement Saving Among Low Earners* series will deliver a longitudinal analysis into the life-courses of people who experience low earnings at some point. The series, which will run until summer 2026 will consist of five themed individual outputs.

We will investigate not just their paid work, but their wider circumstances including life events and the households in which they live. The research focusses on how low earners interact with workplace pension savings and aims to identify potential interventions and model their impact both before and after retirement.

This report is part four in the From Payslip to Pension series.



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Section 1 – Background to the research

Introduction

This report is the fourth in a series that explores pension saving among low earners and is sponsored by the Nuffield Foundation. The report comes as the Pensions Commission investigates both pensions adequacy among low earners, for whom reforms to automatic enrolment policy may lead to a better balance of pensions adequacy, and broader working life financial security.

In this research, a low earner is somebody who earns less than the full-time equivalent of a living wage, which is £24,570 per year. When considering policy, this research is mostly concerned with the design of automatic enrolment. This is a policy that requires employers to provide a pension scheme to their employees, but which has several features designed to exclude low earners, or reduce how much they contribute.

[The first report](#) in this series identified the degree to which different low earners are “persistent” – that is, low earning as part of a long-term career pattern. It identified that different risk factors make different low earners more likely to stay low earning for longer – for women, these risk factors were motherhood and low educational qualifications, and for men, these risk factors were self-employment and low educational qualifications.

[The second report](#) identified individual profiles for low earners, detailing a life course for each profile that involved some low earning, and any other details of their working life, such as periods of high earning or unemployment, and details of their household circumstances. This revealed the extent to which different low earners might be put at risk of working life poverty by contributing to a pension, or where low earners may actually be in a position to contribute more than they currently do.

[The third report](#) analysed the retirement outcomes of these profiles. It found that each profile had risks to their retirement adequacy, including that all profiles relied on living with a partner and not paying rent to avoid poverty in retirement. It also found that different adequacy measures were more or less appropriate for different profiles, with some profiles having inadequacies that were revealed by one measure but not another.

This report will explore policy options that may improve low earner adequacy. It will explore this by modelling the outcomes of these representative persistent low earner profiles in different policy scenarios.

Modelling approach

The retirement outcomes of different profiles are obtained using the PPI’s Individual Model. This model makes use of historic and current data on the economy and the pensions system, as well as projections of economic indicators from the Office for Budget Responsibility (OBR).

Data relating to the modelled individuals is taken from Understanding Society and the Annual Survey of Hours and Earnings (ASHE).

Information on different profiles is obtained from the Understanding Society dataset. Full details on how these profiles are derived are available in the previous reports. However, in each case, profiles are defined by fitting certain criteria at each age. As such, for each profile, it is possible to derive characteristics by analysing populations that meet these criteria at each age – for example, to say that at a certain age, people following a given life course are likely to have a partner. This is particularly relevant as all life courses in this report are likely to retire with a partner but still warrant analysis of what may happen if a comparable individual retires alone.

This report models different policy scenarios based on different contribution rates, and different automatic enrolment thresholds (namely the Lower Earnings Limit and Trigger Income). While other reforms such as varying contribution rates, non-contingent employer contributions and sidecar savings are discussed, they are not modelled.

Full details of the data and assumptions used by this model are available in the Appendix.

Summary of findings

This report finds that different low earner profiles may benefit from different policy interventions, sometimes in a way that means different types of low earners benefit from opposite approaches.

The most relevant finding is that for one profile, it is necessary to remove the Lower Earnings Limit to achieve the best retirement outcomes, but for another profile, removing the Lower Earnings Limit creates financial vulnerability in working life.

Options for keeping the Lower Earnings Limit, and compensating with relatively large increases to contribution rates, are also explored. This can serve as a viable alternative to removing the Lower Earnings Limit for some profiles, but not all.

As well as increased contribution rates and new automatic enrolment thresholds, non-contingent employer contributions and sidecar savings are also considered.

All policies are assessed against criteria of adequacy, fairness, and sustainability. These criteria were established by the PPI's Pensions Framework, and have been adopted by the Pensions Commission, to evaluate pensions policy in a holistic way.

For all policies, potential issues are identified, as well as ways to mitigate them and how they may complement other policies.

While no policy interventions exist that benefit all low earner profiles perfectly, and policy interventions may depend on considerations outside of low earner adequacy, this report identifies what may be done to ensure any low earner profile that is negatively impacted by reforms may be better protected.

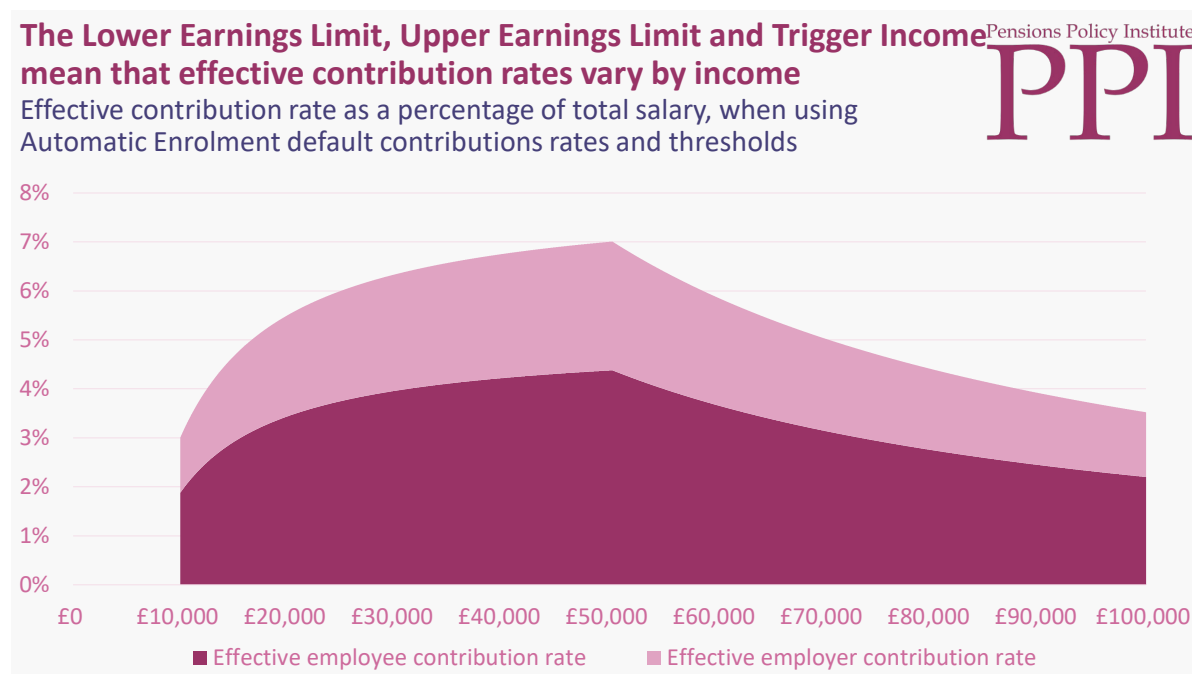
Section 2 – What Policy options exist to help low earners

Automatic Enrolment

Automatic enrolment has, since its inceptionⁱ, featured mechanisms that affect low earner contributions, proportionally, more than any other group. These are the Trigger Income, and the Lower Earnings Limit.

Employers do not have to enrol workers who earn less than the Trigger Income of £10,000 at all. The employer may still enrol the worker anyway. This may happen because the employer judges that their employees can safely contribute, or because it is more convenient to enrol all workers. However, the original justification for the Trigger Income was to prevent low earners from being enrolled when pension saving was not appropriate.

The Lower Earnings Limit of £6,240 affects all employees to some degree, but particularly low earners. It reduces the amount of earnings which are eligible for contributions, which means that below the Upper Earnings Limit, the less a worker earns, the lower their contribution rate is as a proportion of their total salary. This effect is visible in the graph below:



Both of these features have existed since the introduction of automatic enrolment. However, since 2020 they have been subject to “fiscal drag”ⁱⁱ, meaning that they have been frozen in nominal terms and reducing in real terms. If they were to be frozen indefinitely, this would mean that both would essentially be gradually removed.

Minimum contribution rates for salary that is eligible for contributions have been 5% for employees and 3% for employers, since 2019ⁱⁱⁱ. Workers are free to increase their own contributions, and

employers are free to offer more generous schemes. This means that in practice, contribution rates for low earners, or any other workers, will vary even between similar worker profiles or employer types.

Taken together, these policies have protected people in potentially vulnerable financial positions from being automatically enrolled, and contributing more than they could afford at a time when they may need as much working life income as possible to avoid immediate poverty. These policies correctly anticipated that rates of opt-out would be low, and that if workers (regardless of whether they are low earners) are automatically enrolled then many will not engage and take decisions that may be appropriate for their circumstances, such as opting out or down.

However, as automatic enrolment has matured, there is now experience available to assess the impact of each of these policies and consider reforms. One of the most pressing policy goals, as identified by the Pensions Commission, is to increase pensions adequacy for low earners. Currently, these features have ensured that the most vulnerable do not oversave, at the cost of overprotecting those that may indeed be able to save. This report will examine whether, based on this experience, reforms exist that can still protect genuinely vulnerable low earners, while allowing those that can safely build adequate pension savings to do so.

Section 3 – Design of policies to be modelled

New policy options

Various reforms have been suggested which would improve low earner adequacy specifically, and adequacy for all automatically enrolled workers generally. These suggested reforms may complement or conflict with each other, but broadly, the reforms that are commonly suggested are:

- Increase, decrease, or remove the Trigger Income;
- Increase, decrease, or remove the Lower Earnings Limit;
- Increase contribution rates, either uniformly, or at different rates for different salaries or ages;
- Introduce non-contingent employer contributions;
- Introduce “sidecar” savings so that financially vulnerable people can contribute to a pension without sacrificing immediate financial stability.

This report models the impact of a range of policy scenarios based on reforms to the Trigger Income, Lower Earnings Limit, and contribution rates. The role that non-contingent employer contributions and sidecar savings might play in each of these scenarios is also considered.

Representative profiles

The impact of these reforms is assessed by analysing their impact on representative persistent low earner profiles, which have been defined and analysed in previous reports in this series. These profiles can be described, at a high level, as follows:

- A mother who takes a career break and has a high household income
- A mother who takes a career break and has a low household income
- A woman who attends higher education, and has low paid work in her twenties, before moving to a higher paid career
- A man who has precarious employment in his twenties before moving on to a higher paid career.

It is worth noting that the two mother profiles have longer periods of low earning, while the other two profiles have shorter periods of low earning, at the beginning of their careers.

It is also worth noting that the mother with a low household income may earn, on average, an income that is very close to the Trigger Income. This makes it hard to assess the impact of removing the Trigger Income by itself, because the consequences may vary significantly between individuals that match this profile.

Approach to modelling policy

This report models a range of policy scenarios that are intended to capture as wide a range as possible of potential reforms. While it is not possible to model all combinations of contribution rates and thresholds that might exist, the policy scenarios that have been selected are chosen to represent the intentions behind various policy reforms.

Some policy reforms may be made with the intention of directly increasing the pension contributions that low earners make. In these scenarios, low earners would be assumed to be capable of making pension savings, or having appropriate mitigations in place to ensure that they do not make pension savings that they can't afford.

Other policy reforms may be made with the intention of preventing low earners from making pension savings, and rather building their savings during high earning periods elsewhere in their career. In order to increase adequacy, this would mean increasing the contributions that high earners make.

Policy Scenarios

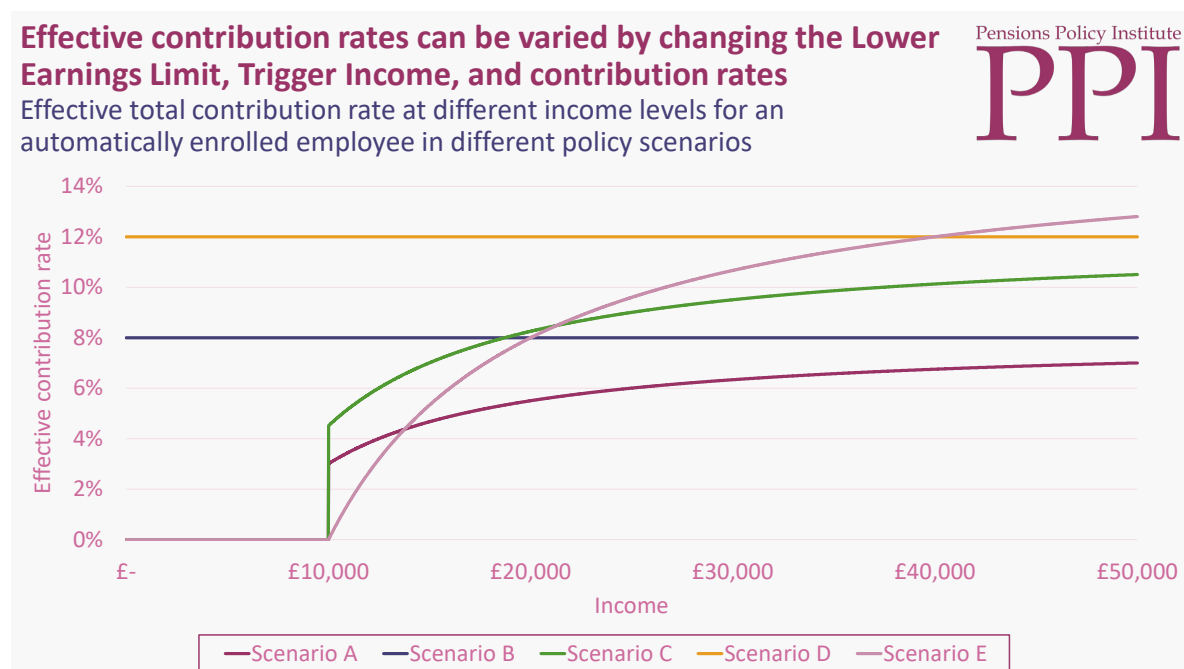
The following scenarios are modelled:

- Scenario A: Minimum contributions under current policy
- Scenario B: Minimum contributions under current policy, without the Lower Earnings Limit or Trigger Income
- Scenario C: 12% contributions, with the Lower Earnings Limit and Trigger Income
- Scenario D: 12% contributions, without the Lower Earnings Limit and Trigger Income
- Scenario E: 16% contributions, with an increased Lower Earnings Limit of £10,000

While other policy interventions exist that have not been modelled, such as non-contingent employer contributions and sidecar savings, these are still discussed in the following sections, as they may complement these different scenarios to different degrees. These policy scenarios are chosen to broadly represent plausible reforms that reflect widely held positions on policy reform, and to highlight the varying degrees to which each feature that is modelled affects different profiles.

These scenarios do not consider reforms to the Upper Earnings Limit. It is also worth noting that while it has a negligible effect on the results in this paper, the balance between employee and employer contributions is a key consideration for policymakers. This choice has implications for the working life income of savers, which is especially relevant for low earners, as the second report in this series identified that one modelled profile may be below the threshold for relative poverty. However, increasing employer costs associated with pensions may also create undesired effects where employers are less generous with pensions, salary, or other benefits to compensate for the increased costs associated with higher employer contributions.

The effective contribution rate that is achieved in each of these scenarios at each income level is shown in the graph below.



Section 4 - Results

Representative life courses

The pension pot that the four profiles build under these policy scenarios are given below:

Pension pot	High household income mother	Low household income mother	Woman with low earnings in 30s	Man with precarious employment
Scenario A: 8%, LEL, TI	£85,700	£11,600	£93,200	£116,100
Scenario B: 8%, no LEL, no TI	£118,000	£29,500	£117,600	£139,400
Scenario C: 12%, LEL, TI	£128,600	£17,300	£139,800	£174,100
Scenario D: 12%, no LEL, no TI	£177,000	£44,300	£176,400	£209,200
Scenario E: 16%, LEL increased to £10k	£133,400	£5,500	£158,200	£203,900

To understand the impacts on adequacy, the following table shows how each profile is able to hit adequacy targets with these levels of savings. These adequacy targets are based on the same methodology used by the Turner Commission, which assigns retirement income targets to individuals based on a percentage of their income in working life, with higher percentages required for lower working life incomes. Full details of this methodology are available in the Appendix. In all scenarios, a full State Pension is assumed for all profiles. It is worth noting that the State Pension provides the majority of pension income, to different degrees, for all profiles.

Percentage of TRR based adequacy target	High household income mother	Low household income mother	Woman with low earnings in 30s	Man with precarious employment
Scenario A: 8%, LEL, TI	77%	120%	67%	54%
Scenario B: 8%, no LEL, no TI	80%	122%	69%	56%
Scenario C: 12%, LEL, TI	81%	121%	71%	58%
Scenario D: 12%, no LEL, no TI	87%	124%	74%	60%
Scenario E: 16%, LEL increased to £10k	82%	119%	72%	59%

These figures reveal that, as expected, both increasing contribution rates or removing the Lower Earnings Limit (and Trigger Income), increase the amount that these individuals would save. However, the analysis also highlights that different combinations of these have varying impact for different profiles.

High Household Income Mother

For this profile, the best outcomes are achieved in those policy scenarios where the Lower Earnings Limit is removed. While it may be possible to keep the Lower Earnings Limit, and increase contribution rates on band earnings, these contribution rates may need to be especially high to achieve adequate retirement outcomes for this profile.

This reflects a key characteristic of this profile, which is that this profile spends an especially long time as a low earner (the top decile for persistent low earning for women). This means that, relative to other profiles, there is less capacity to compensate for low earning periods by making more contributions to high earning periods.

If one or both of the Lower Earnings Limit or Trigger Income were to be maintained, then introducing non-contingent employer contributions for employees who do not contribute would be particularly beneficial for this profile. This is because they have the longest period of persistent low earning, but also need to build significant private pension savings to maintain their standard of living in retirement.

Low Household Income Mother

Conversely, for this profile, the best outcomes may be achieved by keeping the Lower Earnings Limit or Trigger Income. In all cases, this individual achieves her Replacement Rate Target. This is because her target is very low, reflecting a low income in working life. She is more dependent on the State Pension than any other profile. The second report in this series also identified that she is at risk of poverty in working life, and that any contribution to a pension may take away working life income that is needed immediately.

For this reason, it is likely that any saving is oversaving for this profile. While she may have a low income in retirement, it is unlikely that she can significantly increase it with private pension savings, and ensuring that she has an adequate retirement may be a question of ensuring the adequacy of state support.

It may even be the case that small amounts of private savings do more harm than good for this individual. With the removal of Savings Credit, and the fact that the threshold for Pension Credit is slightly below a full State Pension income, it is even possible that this profile may lose out on Pension Credit, and “passport” benefits such as Housing Benefit and Council Tax Support, by building enough private savings to disqualify herself from Pension Credit. Without Pension Credit, she may still be eligible for some amount of Housing Benefit or Council Tax Support, but she will no longer be automatically eligible for the full amount. Instead, they will be means tested, in which case having some private pension savings may reduce her entitlement.

More generally, if an individual misses large amounts of State Pension entitlement, then small amounts of private pension income may not be worthwhile, as they would reduce their entitlement to Pension Credit without creating any extra income. That is, below the Guarantee Credit threshold, private pension income reduces Pension Credit eligibility on a pound-for-pound basis.

If one or both of the Lower Earnings Limit or Trigger Income were to be removed, sidecar savings might mitigate the impact on financial security for this individual. This is because they experience the greatest financial vulnerability in working life, and if they were automatically enrolled under circumstances where pension saving may be inappropriate for them, giving them easier access to pension savings in working life would mitigate this damage.

Highly qualified woman

This profile, like the high household income mother, achieves more in scenarios where the Lower Earnings Limit is removed. However, the differences in income as a proportion of target income are smaller between policy scenarios, as this individual has a higher standard of living to maintain in retirement. This individual's income is also more sensitive to contribution rates than the presence of a Lower Earnings Limit. This is because this individual has a relatively short period of low earnings, early on in life where earnings are lower, before moving on to a longer, better paid career later. This means that much of her earnings will be eligible for contributions even with a Lower Earnings Limit. As a result, it is more important for her that contributions on band earnings are high, rather than slightly more earnings being made eligible for contributions.

Man with precarious employment

This profile, similar to the first, has a relatively short period of low earning earlier in life followed by a highly paid career later. His career is especially well paid, which means that his capacity for saving and his Replacement Rate Target are especially high. His high target is the reason why even increased minimum contributions may not be enough to bring him significantly closer to his target.

However, it is worth noting that he is the least sensitive to the removal of the Lower Earnings Limit. If, for the sake of low earners like the low household income mother, it were deemed necessary to keep the Lower Earnings Limit, the impact of its removal on profiles like this could be compensated for by suitably increasing contribution rates.

Section 5 – Analysis of the results

Additional Policy Implications

While the impacts of these policies on low earners are established by the modelling, other factors beyond the impact on low earners must be considered. These policies may have different implications on adequacy levels, fairness between low earners, or sustainability for employers.

Removal of the Trigger Income

If more low earners were eligible for automatic enrolment, this would increase costs and administrative burden for employers, especially for those in sectors that employ large numbers of low paid, part-time employees. While this would increase the amount that employers needed to pay towards pension contributions, the more significant effect may be the added administrative complexity of enrolling large numbers of seasonal, zero-hours, or part-time workers. The removal of the Trigger Income would not affect employers who only employ highly paid employees.

However, if the Trigger Income were removed, it would address an inconsistency experienced by people who have multiple jobs, none of which may individually pay more than the Trigger Income, but together pay a salary that would qualify for automatic enrolment if it came from a single employer.

Removal of the Lower Earnings Limit

By contrast, making more salary eligible for contributions would affect all employers, even if they have a workforce made up of high earners. This further increases the risk that employers will reduce any extra contributions above the legal minimums, or reduce wages, to compensate. For some workforces, this could create a redistribution effect, where the total employer contribution remains roughly the same, but a greater proportion goes to lower earners.

It may also increase the simplicity, and the fairness, of the system for low earners. The existence of band earnings requires some financial literacy to understand, and many workers, at any earnings level, may not understand that contribution rates do not apply to their full salary. Removing the Lower Earnings Limit would mean that automatic enrolment applied in a more consistent way to all employees, regardless of income, in a way that may be easier to understand.

Increase or maintenance of the Lower Earnings Limit or Trigger income

If current policy were to be maintained, or thresholds increased (either to account for historic real-terms decreases or target a new real-terms increase), this would exclude workers at the lowest earnings levels from pension saving. This would require a relatively large increase to contribution rates for enrolled workers to still hit adequacy targets, which would need to be carefully selected to best serve all enrolled employees. Workers who may want access to their employer's pension scheme may be excluded.

However, it may also represent a continuation of current policy. These thresholds have been subject to fiscal drag in recent years, and an increase may represent a commitment to their original intended purpose. As one profile in this modelling illustrates, there are individuals for whom automatic enrolment may be undesirable, and the impact of keeping these thresholds can be mitigated with increased contributions on band earnings. If either of the Lower Earnings Limit or Trigger Income are removed, it is important that mitigations exist to protect those individuals that may not benefit from being automatically enrolled. Some mitigations exist already, such as the ability to opt out, or the fact that pension contributions are disregarded when calculating Universal Credit entitlement. Further mitigations may be deemed necessary, such as creating increased flexibility for low earners to opt out, down, or exploring new mechanisms such as varying contribution rates or sidecar savings.

Increased contribution rates

While contribution rates could be increased to any amount, and this modelling is not exhaustive, this modelling demonstrates that contribution rates must complement whatever choices are made with regards to the Lower Earnings Limit.

However, with regards to contribution rates themselves, a key policy consideration is whether or not contribution rates may be made variable – that is, that minimum contribution rates might vary by salary or age. While this is not modelled, it is worth highlighting that this is an option. Variable contribution rates would create administrative complexity for employers, as compared to having uniform minimum contribution rates for all employees, but may offer a way to address excessive oversaving or high employer costs, while preserving high contribution rates for those that can afford to pay.

Non-contingent employer contributions

Non-contingent employer contributions could work in a variety of ways, but assuming that they were exclusively for low-paid workers who do not earn enough to be eligible for automatic employee contributions, this policy would have similar trade-offs as the Trigger Income. It would increase costs primarily for employers who employ large numbers of low-paid workers, and may have unintended consequences if employers reduce employee benefits elsewhere to compensate. If employers were to compensate in this way, it may have effects on employees who earn too much to receive these non-contingent contributions but are still relatively low earners.

However, this may be one mitigation that addresses shortcomings of other policies. It would create some consistency and fairness for employees, as there would be less exclusion from pension saving, albeit with more complex rules. It would also mean that higher paying employers, and their employees, would not be affected, and other policies such as increased contribution rates could be targeted at them more exclusively.

Sidecar savings

Sidecar savings is another policy that could work in a variety of ways, but we have assumed that it would divert some amount of savers' pension contributions towards a non-pension account, until that account reached a cap, before diverting any extra savings towards their pension. This would create an emergency fund so that savers could access some of the contributions they had made towards their pension, while still remaining enrolled.

While sidecar savings have been trialled, it is unclear how it might work in practice at a system level^{iv}. In terms of design, questions remain around who would be eligible to use it, what the contribution structure might be, and how much complexity would be involved for employers. In terms of the impact it might have, it is uncertain as to what extent savers might engage with it. If it is not clear to savers that sidecar savings exist or they are not easy to access, savers may not take full advantage of them, in the same way that savers may not opt out of automatic enrolment when it is in their best interest to do so.

However, this policy also has the potential to mitigate the harmful effects of other policies. It means that, if any contributions are made by someone who is automatically enrolled, without their full understanding or without it being in their interests, that they can recover the money more easily. It also means that people in vulnerable financial positions would not be faced with tough decisions about saving for retirement or building short-term resilience.

Sidecar savings exist somewhat separately from other policies discussed in this report, as they don't affect employee or employer pension contributions, and require further policy development.

However, even if it is not introduced alongside policy reforms such as removing the Lower Earnings Limit, it may still complement these policies well if it is introduced later.

Summary of Policy Analysis

The trade-offs and different considerations of these policies are summarised in the following table. This table assesses policies against the criteria of adequacy, sustainability, and fairness, which were established by the PPI's Pensions Framework, and have been adopted by the Pensions Commission, to evaluate pensions policy in a holistic way.

	Adequacy	Fairness	Sustainability
Removal of trigger income	More workers brought into pension saving	More consistent treatment for second job holders	Impacts employers with higher proportions of low earning employees
Removal of LEL	More savings for automatically enrolled workers	Higher savings for low earners – requires complementary policies to ensure protection of more vulnerable workers	Impacts most employers
Increase or maintenance of thresholds	Some workers left not enrolled and requires higher contribution rates to achieve adequacy targets	Requires justification to ensure thresholds exclude or include groups appropriately	May impact higher paying employers if high earner contributions increase
Uniform increase of contribution rates	All workers contribute more	May have an adverse effect on wages	Increased costs for employers
Variable contribution rates	All workers contribute, and some higher contributions may become possible for workers who can afford it	May be unfair towards workers with multiple jobs, or low earners who can contribute more	increases complexity and costs for employers
Non-contingent employer contributions	Higher pension savings for those who may not be able to afford employee contributions	Allows flexibility for savers and supports increases in adequacy; may have an adverse effect on wages	Increases employer costs, especially in low paid sectors
Sidecar savings	Increased ability to save under uncertain personal and financial circumstances	Allows flexibility for savers and supports increases in adequacy	Complexity for employers; requires policy development

Section 6 - Conclusions

Overview

This report identifies that no single policy approach uniformly benefits all persistent low earner profiles. If automatic enrolment thresholds are maintained, some low earners who are capable of saving at the same rate as high earners may be unnecessarily excluded from automatic enrolment, but may still need to achieve as high a pension as possible. However, lowering these thresholds may expose other low earner profiles to financial vulnerability.

As the Pensions Commission considers how to improve pensions adequacy for low earners, and the population more widely, they may have to consider factors beyond persistent low earner adequacy. The effects of these policies on persistent low earners may be secondary to the effects on employees who spend little or no time as a low earner during their career, or to broader considerations such as system simplicity, or employer costs.

Whatever broad approach is taken – lowering thresholds, increasing contribution rates, or introducing new interventions aimed at low earners – some persistent low earner profiles will benefit, and others will face risks. It is important that, whatever approach is taken, any persistent low earners who may face increased risks are identified, and any measures to safeguard their retirement or working life financial security are put in place.

Technical Appendix

Modelling approach

Most information about profiles, such as working life earnings, is obtained from Understanding Society.

Minimum contributions are assumed in each policy scenario. That is, it is assumed that workers and employers never voluntarily contribute more at any point in any policy scenario.

Historic data, such as tax thresholds and automatic enrolment parameters, are updated to the most recent historical values at the time of modelling, and uprated according to economic determinants from the OBR. Figures are given in 2026 earnings terms, which means they are not directly comparable to those in the third report in this series.

When calculating retirement incomes for use against replacement rate targets, the income at State Pension age is used. This combines the income from State Pension income and private pension income. For private pension income, it is assumed that no lump sum is taken, and that individuals draw down 3.5% of their remaining pot per year. These profiles may also be modelled to retire before State Pension age and start drawing down their private pension before state pension age.

Target Replacement Rates use the following bands:

Gross Pre-retirement (50-SPa) Earnings	Pension Commission (2004)	2023 Earnings Terms	BHC Target RR	AHC earnings	AHC Target RR
Band 1	Less than £9,500	<£15,900	0.8	<£13,500	0.84
Band 2	£9,500-£17,500	£15,900-£29,000	0.7	£13,501-£26,000	0.75
Band 3	£17,500-£25,000	£29,001-£42,000	0.67	£26,001-£38,000	0.71
Band 4	£25,000-£40,000	£42,001-£67,000	0.6	£38,001-£62,000	0.63
Band 5	Over £40,000	>£67,000	0.5	>£62,000	0.53

This table is taken from DWP official statistics^v.

Full descriptions of life courses

The profiles modelled in this report were introduced in the previous report, and their working lives were explored in more detail. Full descriptions of each profile are repeated here.

Profile 1

This group is defined by being a woman and having high earnings early in life, and then becoming a low earner in motherhood, but having an above average household income throughout. This pattern is broadly representative of about 5% of all women. A representative woman from this group has high earnings early in her career followed by low earnings up to retirement, but lives in a household where equalised household income is above the median throughout her working life. She has a high probability of working in the public sector, for instance in education. She becomes a mother in her

thirties, after which she begins part-time working, becoming a low earner. Upon transitioning to low earning, there may be an immediate drop in disposable household income, but this quickly recovers. She is a member of her employer's pension scheme throughout her life and never returns to high earnings.

Profile 2

This group is defined by being a mother and having low earnings across their entire career, and by having a below average household income throughout their life that borders on relative poverty, even after factoring in any benefit income. This life course is broadly representative of 5% of women. A representative individual from this group has no earnings for the first few years of working age, and has two children in her early twenties. In her late twenties she enters the workforce and works part time. She may change sectors, but continues to be a low earner, until she leaves the workforce in her fifties as a result of poor health. Her household income and individual income are both low throughout her life. Her equivalised disposable household income is below the threshold for relative poverty, which is 60% of the median, at the beginning of working life, and, although it rises above the threshold later, is still below the median and close to 60%. She joins her employer's pension scheme in her thirties.

Profile 3

This group is defined by having high qualifications, and being a low earner in their early career, before moving into higher-paid work later, and is broadly representative of 9% of women. A representative individual from this group obtains a degree, but does not immediately enter her vocational field. During her twenties, her living arrangements are a mixture of living with parents, and living away from home with housemates or a partner. In her thirties, her pay increases significantly as she moves into a sector related to her degree. She also marries a high-earning partner, and together, their equivalised household income is especially high. This is in part because they do not have children, which lowers their household costs compared to other profiles. She consistently saves into her employer's pension during her high-earning years. During her low earning period, she is a mix of ineligible, enrolled, or not a member of her employer's pension scheme, while having the option to join. She is also likely to be paid hourly rather than salaried.

Profile 4

This life course represents a man who is paid hourly during his low-earning period and is broadly representative of 1% of men. In his late teens and early twenties, he experiences a mix of low-paid work and unemployment. In his mid-twenties to early thirties, he works in an hourly paid job, before moving into higher paid work in a different sector. He moves in with a partner and has a child in his thirties. During his high-earning period, his household earnings are above the median and gradually climb with age. However, he is the primary earner of the household. When he first becomes a high earner, his equivalised household income may not be as high as the other representative individuals identified in this report, and may only be above the median by a relatively small margin. Similarly to the previous life course, he saves consistently as a high earner, but during his low-earning period, rarely saves as he is ineligible or not a member of his employer's pension scheme.

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