20 years on: Expectations vs realities of the Turner Commission

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A Pensions Policy Institute (PPI) Project

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Kindly sponsored by the Department for Work and Pensions (DWP)

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Funding has been provided to support the research but does not imply endorsement of the analysis or findings of the project.

Overview and purpose

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The Turner Commission legacy

The Turner Commission made up of Lord Adair Turner, Baroness Jeannie Drake, and Sir John Hills, shaped the modern UK pensions landscape by recommending reforms to improve pension adequacy, increase retirement saving, and adapt to demographic changes.

Why now?

Marking 20 years since the Turner Commission, this research coincides with the Government's current Pensions Commission, providing a timely opportunity to assess progress against original expectations and ongoing challenges.

Research aims:

•Evaluate how the Turner Commission's predictions and recommendations have translated into actual policy reform and outcomes.
•Identify gaps between expectations and current pension system realities, particularly regarding coverage, adequacy, and sustainability.
•Inform understanding of future pension challenges in the context of demographic, economic, and labour market shifts.

Methodology

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Approaches, sources, and scope

Approach

This research draws on a mixed-methods approach to assess how outcomes compare to the Turner Commission's expectations, and to explore the implications for today's pension landscape.

Data sources

Evidence review: Desk-based review of the Turner Commission's reports and related policy documents.

Consultations with stakeholders directly involved with the work of the commission or close to it through signposting to relevant evidence: Semi-structured qualitative interviews with Dr. Alison O'Connell, Chris Curry, and Sir Steve Webb.

Scope: The analysis focuses on developments since 2005, with reference to the UK pension system's adequacy, coverage, and sustainability. Projections and expectations from the Turner Commission are interpreted using available contextual evidence. This slide deck informs debate through impartial, evidence-based analysis.

Quantitative data and statistics
Office for National Statistics (ONS)
Family Resources Survey (FRS)
Wealth and Assets Survey (WAS)
HMRC pension tax statistics
Department for Work and Pensions (DWP) administrative data
Financial Conduct Authority's (FCA) data

Contents & Key messages

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Structure of the slide deck and takeaways

- Background
- Current Landscape
- Looking Ahead

- The Turner Commission was highly influential, laying the groundwork for automatic enrolment (AE) and structural reform such as the creation of the National Employment Savings Trust (NEST), formerly known as the National Pensions Savings Scheme (NSPSS).
- AE has been successful in boosting participation in workplace pensions, but adequacy lags behind due to no change in contribution levels and a shortfall in voluntary saving.
- The socioeconomic context has shifted: stagnating earnings, falling homeownership, and rising individual risk.
- The current Pensions Commission has a chance to reassess whether current policies remain fit for purpose in a changed world.

Background

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The Commission's vision (2005)

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A long-term framework for pensions reform

The Turner Commission proposed a coherent, long-term framework for UK pensions policy, centred on improving **adequacy, sustainability**, and **coverage** in response to growing concerns about the long-term affordability and adequacy of retirement provision. At the time, the UK faced a combination of rising life expectancy, declining Defined Benefit (DB) provision, falling private saving, and an increasingly complex and means-tested State Pension system. Around **9 million people** were identified as under-saving for retirement, and the Commission warned that without reform, future generations could face lower retirement incomes.

Three pillars model

The Commission endorsed a rebalanced three-pillar system:

Pillar 1 (State Pension): A more universal and generous State Pension, uprated in line with earnings, with improved eligibility for carers. The reforms aimed to reduce reliance on means-testing and simplify the existing system of bSP and SERPS/S2P, while linking SPa to life expectancy for greater sustainability.

Pillar 2 (Private Saving): Expansion through an automatic enrolment system to support earnings replacement.

Pillar 3 (Voluntary Saving): Additional savings for those who can afford to contribute more.

The Turner Framework

To maintain trust and long-term stability, the Commission argued for a clear, long-term agreement about how the Government, employers, individuals and industry would each contribute to pension incomes.

A universal, contributory state pension that would be easier to understand than the previous system.

Automatic enrolment into workplace pensions, with the National Pension Savings Scheme (later NEST) created as a low-cost option for employers who did not already offer a suitable scheme.

Employer contributions as a critical part of the pension system.

Incentives structured to maintain public support, including tax relief and matching of contribution levels.

The Commission's recommendations

Laying the foundations for adequacy, sustainability and coverage

National Pensions Savings Scheme (NPSS) with automatic enrolment (AE)

AE into low-cost schemes with employer and employee contributions, including a proposed national scheme for those without adequate employer provision.

State Pension reform

Recommended moving toward a simplified, two-tier flat-rate system—linking the Basic State Pension to earnings and thus reducing means-testing (bSP).

State Pension age (SPa)

Gradual SPa **increase** to 66 (by 2030), 67 (2040), 68 (2050), in line with changes in life expectancy.

Inclusion & equality

Pension accrual based on UK residency. Carer credits should be more generous by allowing weekly accrual of credits, helping carers maintain their pension entitlement despite gaps in paid work. Full bSP access by age 75 **regardless of NI record**

Voluntary saving support

Recognised DB decline; favoured soft compulsion via AE over full compulsion. Supported good-quality employer provision and **gradual removal of DC contracting-out**.

Tax incentives

Emphasised improving public awareness of tax/NIC benefits; floated single-rate, up-front government contribution within NPSS

Flexible retirement

Stressed need for age discrimination protections. Proposed **flexible State Pension deferral**, incentives to work beyond SPa, and more support for older workers through training and health investment.

Long-term oversight

Independent review body **reporting to Parliament every 4 years**; cross-party consensus needed.

The Commission believed that all actors needed to collaborate to support long-term retirement outcomes

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Drawn from the Commission’s 2005 recommendations report

Government

Expected role: Setting clear rules, providing a safety net, and enabling pension saving.

- Deliver a simple, flat-rate state pension as a foundation for private saving.
- Introduce AE into a low-cost pension scheme. Minimum contribution levels proposed: 4% employee, 3% employer, 1% tax relief = 8% total of band earnings.
- Create a National Pensions Saving Scheme (NPSS) for those not covered by good provision.
- Ensure regulatory oversight and stability to build public trust.

Individuals

Expected role: Active savers with shared responsibility for retirement income.

- Automatically enrolled but expected to stay in.
- Voluntary saving still seen as essential to meet target replacement rates: “Reforms (to private and state systems) should make it likely that the typical earner will achieve at least a 45% replacement rate on retirement”
- Expected to engage with retirement decisions over time, including options at retirement.

Employers

Expected role: Pension facilitators and co-contributors.

- Continue providing good-quality schemes, especially for medium and large employers.
- Contribute at least 3% under the AE model – but encouraged to do more.
- Adjust to broader workforce coverage, including part-time and lower-paid staff.
- Retain flexibility to run own schemes or use national scheme defaults.

Industry

Expected role: Deliver low-cost, high-quality pension products and services.

- Design schemes (like NPSS) with annual charges capped at 0.3–0.5%.
- Avoid complexity: default accumulation funds and simplified communications recommended.
- Maintain strong governance to prevent mis-selling or poor consumer outcomes.
- Provide innovation within a standardised, regulated environment.

Pension reform was built on expectations of stability in employment, housing and savings behaviour

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The Commission's expectations

- Anticipated continued **stable employment** (levels were **73%** in 2004).
- Gradual **rise in pension savings** (driven by reforms like AE).
- Acknowledged that **housing assets** could contribute to retirement incomes. However, it made no mention of those renting into retirement or how rental costs should be supported. (31)
- Projected a **decline in DB schemes**, with a shift towards Defined Contribution (DC) arrangements.
- Assumed that AE would be **complemented by increased voluntary saving** to meet retirement income needs – with some degree of opt-outs anticipated.
- Expected **annuities to remain the primary method** of turning DC savings into income.

Stakeholder insights

"I don't think they [commission] expected the [value of] the State Pension to be as high as it currently is… the move to a single tier happened sooner than expected, which improved outcomes compared to the original expectations. Automatic enrolment opt-out rates have been lower than hoped, which is positive. However, some employers have lowered pension contributions, leading to a 'levelling down' effect. Voluntary saving has not grown as much as expected, and DC pots are still relatively small, often used as assets rather than steady income."

-Stakeholder 1

"They would have expected annuity rates to be much higher than they actually turned out to be. The returns on DC pensions have been lower than the Commission assumed. Earnings growth has been slower, which limits pot growth. Outcomes are probably worse than expected, but not massively so. State pension policy changes haven't been dramatic compared to their expectations. DB promises remain consistent with their assumptions."

-Stakeholder 2

"I think they [policy changes] probably were implemented as the pension Commission expected, but also the counterfactual is, would it have happened anyway? And the State Pension would have been addressed anyway because the earnings-related bit of the second State Pension was just getting too expensive and clearly unfair, and the move to DC would have happened anyway."

- Stakeholder 3

How far has policy aligned with the Commission's vision?

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Alignment of UK pension policy with the Commission's vision (2004–2025)

2004–2010: Building the foundations (strong alignment)

- Major reforms like the **Pensions Act 2007** which enacted changes to SP and SPa, and the **Pensions Act 2008** introduced automatic enrolment, expanding pension coverage.
- The **Equality Act 2010** strengthened fairness and protection, addressing inclusion.
- Early steps towards sustainability with the **Employment Equality (Age) Regulations**, supporting longer working lives.
- This period showed strong alignment with the Commission's vision, laying the groundwork for future reforms.

2011–2018: Core reforms delivered but new risks emerge

- Introduction of the **Triple Lock (2011)** increased the generosity of the State Pension. The **new State Pension (2016)** established a clearer and more sustainable foundation for private saving. **Pension Act 2011 & 2014** accelerated rises in SPa to 66 and 67 and introduced a requirement for regular SPa reviews.
- Automatic enrolment rollout continued, increasing pension participation to over 10 million by 2018.
- The **Pension Freedoms (2015)** marked a major shift, introducing flexibility but also transferring risk to individuals, diverging from the Commission's original secure retirement income vision.
- Tensions emerged between **adequacy, sustainability, and individual choice**. The Triple Lock and nSP increased adequacy but raised long-term costs (sustainability), while Pension Freedoms shifted risk to individuals, requiring them to make complex retirement decisions (choice).

2020–2025: Consolidation, flexibility, and new innovations

- Continued sustainability focus with the SPa increases and AE Expansion Act, broadening coverage.
- New policy directions, such as the Mansion House reforms, market and investment reforms with a focus on scheme and pot consolidation, CDC legislation, and the Advice/Guidance Boundary Review, reflect partial alignment, addressing governance, value, and flexibility but were not foreseen by Turner.
- The current Pensions Commission provides a critical moment to reassess policy alignment with the Commission's long-term vision amid changing economic and demographic challenges.

In summary

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The Turner Commission established a foundational framework for long-term UK pension reform, with recommendations on AE, State Pension age updates, and simplifying the State Pension system—shaping major policies through 2025.

- Vision addressed key challenges: **rising life expectancy**, declining **DB provision**, and a **complex State Pension system**.
- The Commission proposed a clear framework centred on three pillars: **adequacy**, **sustainability**, and **coverage**.
- It recommended a simpler, universal State Pension replacing multiple components for clarity and fairness.
- **AE** into low-cost workplace pension schemes was introduced, with a minimum contribution target of 8% of band earnings (4% employee, 3% employer, 1% tax relief).

- They assumed a reformed State Pension, and private pension contributions of 8% of band earnings would be sufficient to provide the **median earner retiring in 2053** with **45-48% of their earnings as a retirement income.** (3) They also recommended **enabling voluntary contributions up to 16%,** which could bring the **total replacement rate closer to 60–66%,** a level generally considered sufficient to maintain working-life living standards in retirement.
- The framework emphasised the importance of **collaboration** between Government, employers, individuals, and industry to ensure stable and secure retirement incomes.
- Key reforms such as State Pension simplification and AE have been successfully implemented.
- However, some underlying assumptions, including **stable employment patterns**, **increasing voluntary saving**, and **annuity returns**, have encountered real-world challenges.
- These challenges continue to influence pension outcomes and shape ongoing policy discussions.

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Current Landscape

Despite all the successes of AE, gaps remain

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Successes, gaps, and ongoing challenges

- **11.7 million more employees saving now compared to 2012**. (2)
- Opt-outs remain low between 8 to 10%. (2)
- Larger median DC pot sizes (£15,000 in 2024 compared to £11,400 in 2020). (1)
- **89% of eligible employees** were saving in a workplace pension by 2024 (21.7m people). (2)

- **8.3 million ineligible** workers (inc. self-employed, low earners, young workers). (2)
- Median contributions stay at the 8% minimum, falling short of what's needed for **adequacy.**
- **No AE coverage** for the self-employed (c. 4.3 million people). (1)
- 2017 review proposals (AE threshold to 18 from 22, and removal of lower earnings limit) **not implemented**.

The Commission intended contribution rates to rise gradually over time, balancing affordability with improved retirement income adequacy. The starting baseline was an 8% contribution rate on band earnings, a compromise between employer concerns about costs, particularly for small businesses, and employee calls for higher employer contributions, while allowing flexibility for voluntary top-ups.

"The automatic enrolment saving was only probably about half of what they [commission] felt people would need to do. So, the idea being that if there was some saving then people would find it easy to engage and do more saving on top, although they [commission] were never clear about how that would happen."

"The opt-out rate has been much lower than they might have, even in their best expectations, thought it might be."

"There was an expectation that automatic enrolment would be reviewed more frequently... it's stalled a little bit."

-Stakeholder 1

State Pension reforms delivered a simpler, flat-rate pension, but adequacy and sustainability remain in focus

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The new State Pension vs. Expectations

The Commission anticipated a gradual shift to a simpler, flat-rate State Pension by the 2030s to improve clarity and adequacy. They expected the Basic State Pension to be re-linked to earnings but did not predict how quickly reforms would occur or the level of the new benefit. Today, the bSP and nSP are uprated by the triple lock: the highest of CPI inflation, earnings growth, or 2.5%

Replacement Rate
A way of describing someone's retirement income as a proportion of the income they received during their working life

The new State Pension (for those reaching SPa from 6 April 2016) was introduced in April 2016 as a flat-rate system replacing complex additional pension arrangements.
The Turner Commission assumed that, alongside a reformed State Pension, private pension contributions of 8% of band earnings would be sufficient to provide the **median earner retiring in 2053** with **45-48% of their earnings as a retirement income.** (3) Turner anticipated that the SP would yield around 30% of median earnings; basic SP currently delivers approximately 23%, but the new State Pension has now reached about 30% as a % of median earnings. They also recommended **enabling voluntary contributions up to 16%,** which could bring the **total replacement rate closer to 60–66%,** a level the Commission considered sufficient to maintain working-life living standards in retirement. DWP analysis shows that the full rate of the nSP represents **31%** of median earnings.

The flat-rate State Pension is more generous than earlier systems in some respects: it simplifies calculations, reduces overlapping entitlements, and makes eligibility clearer. But for many, especially those without a full NI record, with interrupted work histories, or who miss out on Pension Credit due to ineligibility or non-take-up, it may fall short of some adequacy benchmarks. This highlights the ongoing need for private pensions and other assets to support retirement incomes. The Triple Lock has improved outcomes for some groups, particularly pensioners who rely heavily or solely on the State Pension, by raising payments faster than earnings and exceeding the Commission's original assumptions. However, it has not closed all gaps in adequacy or coverage. Groups such as single pensioner households, renters, and those with incomplete contribution histories remain more likely to experience poverty in later life. It has also added to fiscal pressure: by 2027–28, spending is projected to be £23 billion higher (0.8% of GDP) than at the start of the decade. (5) The current Pensions Commission will need to weigh intergenerational fairness and long-term affordability against the need to maintain a meaningful income floor in later life.

State Pension reforms delivered a simpler, flat-rate pension, but adequacy and sustainability remain in focus

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Rising State Pension age (SPa)

The Commission anticipated SPa increasing in line with rising life expectancy, so that each generation spends a similar proportion of life working vs retired (to 66 by 2030, 67 by 2040, and 68 by 2050). Today, the SPa is set to increase to 67 between April 2026 and April 2028, and thereafter to 68 between April 2044 and April 2046.

Fiscal considerations

Raising the State Pension age (SPa) has a significant impact on the public finances. The Office for Budget Responsibility (OBR) estimates that, once the scheduled increase to age 67 is fully implemented between 2026 and 2028, annual spending on the State Pension and Pension Credit will be around £10.5 billion lower by 2029/30, primarily due to later pension eligibility for successive cohorts. (7) From a fiscal perspective, SPa increases contribute to the long-term sustainability of the State Pension system by containing expenditure.

Fairness considerations

Those in lower-income households, in routine manual occupations, or living in rented accommodation are more likely to face shorter lives in good health and may find it more difficult to remain in work into later life. The Institute for Fiscal Studies (IFS) has also noted that the upcoming increase to SPa 67, beginning in April 2026, will particularly affect individuals already out of work in their early 60s due to ill health. (8) Many in this group have limited private pension savings, which may increase their risk of financial hardship in the period before reaching pension eligibility.

Life expectancy gains have slowed over the 2010s. The COVID-19 pandemic caused increased mortality, particularly among older people, affecting life expectancy estimates for 2021 to 2023. For example, the **2014-based projections** used in the 2017 State Pension Age Review estimated life expectancy at **age 65** would reach **27.3 years by 2060**; however, the latest **2020-based projections** now forecast **24.4 years**. (9) These trends, alongside significant external challenges such as COVID-19, the war in Ukraine, and global inflationary pressures, contributed to the Government's 2023 decision to maintain the existing legislated timetable for the rise to age 68, rather than accelerating it. They are now being re-evaluated in the context of the third State Pension Age Review.

"I think there was a challenge for the Commission, they were very aware of the inequalities that were caused by a single state pension age. But they didn't have good data."

-Stakeholder 1

State Pension reforms delivered a simpler, flat-rate pension, but adequacy and sustainability remain in focus

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Coverage and take-up

The Turner Commission envisaged a universal foundation for retirement income, with a simple accrual mechanism ensuring that nearly all adults built up a meaningful State Pension entitlement. Today, the State Pension has achieved almost universal coverage: by 2024, approximately 98% per cent of pensioners were in receipt of the State Pension, up from 94% in 1995. (10)

Individuals may accumulate qualifying years for the nSP through paid contributions, credited periods for caring or unemployment, and voluntary Class 3 payments, helping to close gaps for those with interrupted work histories. For those with no National Insurance record before 6 April 2016, 35 years of contributions will be needed at State Pension age to receive the full rate. For individuals with an existing NI record, transitional arrangements apply, taking into account both pre- and post-2016 contributions.

Administrative challenges and Pension Credit take-up

Despite near-universal SP receipt, administrative complexity continues to undermine full take-up and financial security for some pensioners. Recent DWP exercises uncovered over **12,000 underpayments**, totaling approximately **£104 million**, highlighting persistent issues in accurately tracing entitlement. (11) Meanwhile, Pension Credit take-up has improved slightly: DWP estimates show around **65%** of eligible individuals now receive the benefit, up from approximately **63% in 2022**. However, up to **760,000** eligible households are still missing out. This means that many pensioners, particularly those with lower State Pension entitlement, limited private income, or higher living costs, remain at risk of poverty. (12) These figures underline the ongoing need for greater outreach, simplified application processes, and integrated means-testing to help achieve the Commission's goal.

Pension freedoms have transformed decumulation but introduced new risks

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Decumulation behaviours: balancing flexibility and security

The Commission did not anticipate the full pension freedoms regime that would emerge a decade later, treating annuities as the default longevity solution. At the time, interest rates were around 4–5%, supporting relatively attractive annuity rates. In the decade following the financial crisis, rates fell to historic lows, significantly reducing annuity payouts and making them less appealing to savers. Today, although interest rates have returned to similar levels, millions of DC savers have used freedoms to bypass annuities entirely, withdrawing £45 billion from pension pots since 2015 (13), with annuity sales falling from over 460,000 in 2009 to around 90,000 in 2024. (1)

How the landscape shifted

One-off cash-outs dominate: 55% of those eligible to take a tax-free lump sum chose to take the maximum of 25% of their pension and 32% used it to clear debts. (14)

Small-pot withdrawals: In 2020/21, 217,000 people with pots under £10,000 fully withdrew their savings, compared to only 13,000 taking partial drawdown. (13)

Scams surge: Pension scammers have exploited the new freedoms, with over £30 million lost since 2017. (15)

"They [commission] would have expected annuity rates to be much higher than they actually turned out to be".
-Stakeholder 2

"I don't think the pensions freedoms came from nowhere. I think there had been a real groundswell against compulsory annuities for a long time, so it was always on the cards."
-Stakeholder 3

Engagement vs. risk

Advice gaps: Only 39% of drawdown users sought professional advice, and a mere 20% used Pension Wise. (14)

Longevity fears: 71% of advisers reported the number one retirement worry among clients was outliving their money. (16)

"If I've got a £3,000 pension pot, what am I going to do with it? Let's take it as cash and enjoy it. And that's not undermining people's retirement provision, because what can you do with £3,000? The fact that the bigger pots aren't being cashing out is a sign that people are thinking about it."
-Stakeholder 2

"In some ways, having a bit more flexibility over how you use some of that income in retirement could be a positive thing in terms of allowing people to better meet their needs at different points in retirement as they go through. But also, it introduces many risks, and particularly the risks of poverty in old age."
-Stakeholder 1

As labour markets fragment and homeownership falls, individuals face increased pressure in achieving secure later life outcomes

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Precarity, gig work, and the housing shortfall's impact on pension adequacy

The Commission anticipated a relatively stable labour market, dominated by full-time permanent employment, and a housing market in which homeownership rates would remain high among working-age cohorts, providing retirees with both housing wealth, security, and lower costs in retirement. In 2004, around 70% of 35 to 44-year-olds owned their home, however that has dropped to 50% in 2024. (17)

There were roughly 600,000 more self-employed workers in 2022 compared to 2005

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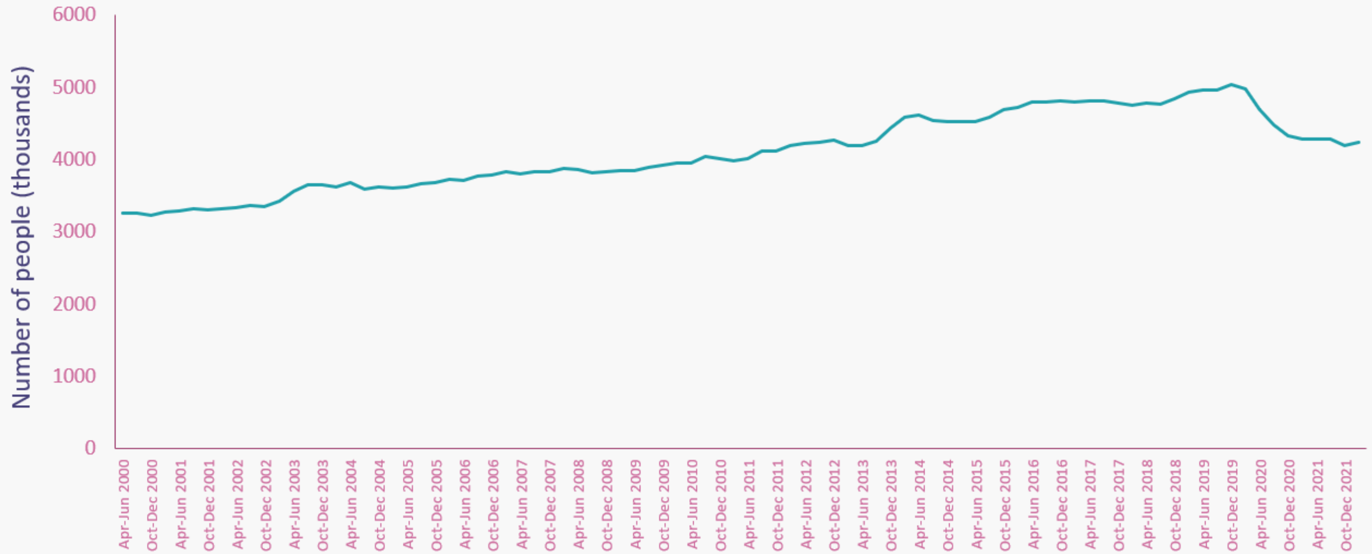
Number of people aged 16 years and over in self-employment (thousands, seasonally adjusted), UK, January to March 2000 to January to March 2022



"We've been struggling to work out what to do with the self-employed to help them get higher pension saving and maybe it's a question of actually are pensions just not the right vehicle for them? Is there some other form of retirement saving that we should be supporting?"

-Stakeholder 1

These trends carry clear implications for retirement income needs: PPI analysis shows that the proportion of pensioner households renting privately through later life could rise from around **one in twenty to one in six over the next twenty years**, as retirement nears for a fast-growing group of people unable to get onto the housing ladder. (19) This would leave them more reliant on state and private pension income to maintain living standards. Furthermore, with a third of self-employed workers lacking access to any pension, the rise in potentially precarious employment threatens to widen pension coverage gaps unless policy makers address auto-enrolment thresholds and extend saving mechanisms to non-traditional workers.

"Meanwhile, self-employed pension contributions have fallen and are at shockingly low levels, so that's that remains a massively problematic group".

-Stakeholder 2

Persistent inequalities continue to undermine pension outcomes for women and ethnic minorities

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Lower earnings, interrupted careers and opt-out patterns drive lasting gaps

The Commission recognised that women, carers, and ethnic minorities faced structural disadvantages that contributed to persistent pension inequalities.

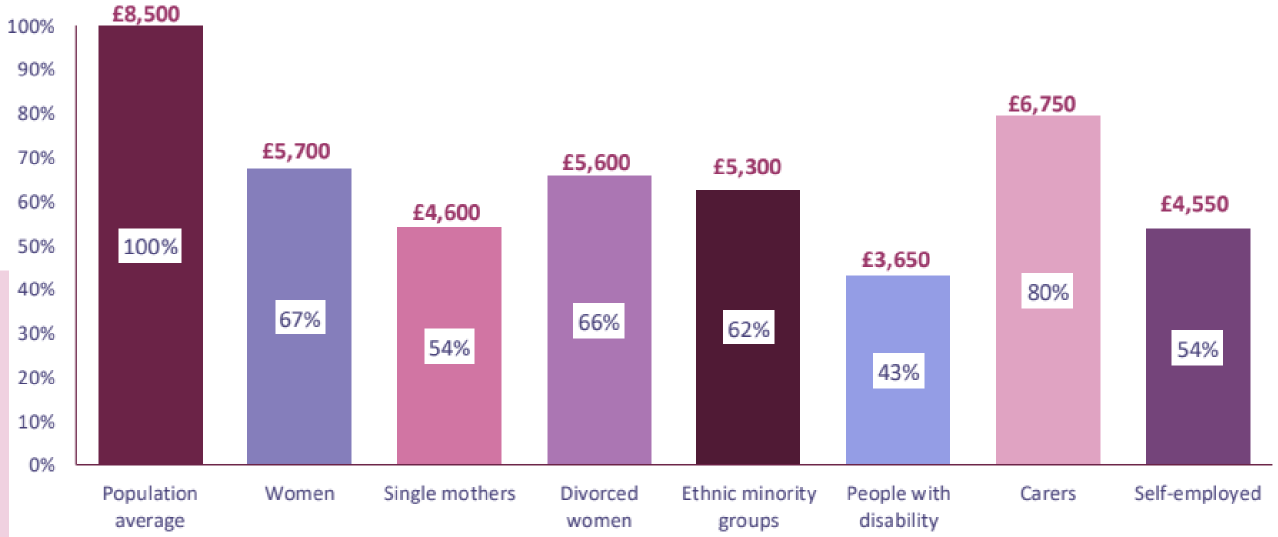
In their first report, the Commission highlighted that women and ethnic minority groups were disproportionately affected by low earnings, interrupted careers, and limited access to good-quality workplace pensions, and it questioned whether a voluntary private pension market could ever deliver adequate outcomes for these groups. The second report recommended targeted reforms to improve fairness, including a simpler State Pension with residency-based accrual, enhanced credits for carers, and the gradual removal of complexity and means-testing that deterred saving. Automatic enrolment was designed in part to overcome behavioural barriers that particularly impacted lower-paid workers and groups historically excluded from pension saving.

Despite these ambitions, significant disparities remain today. Women accrue pension wealth equivalent to **less than two-thirds of men's** by their late 50s, reflecting both lower lifetime earnings and higher prevalence of part-time and unpaid caring work. (20) These contribution gaps accumulate over decades, leaving many women increasingly reliant on the State Pension. Ethnic differences are similarly stark. Pakistani and Bangladeshi employees are more likely to opt out of private pension saving (**16% and 24%** respectively). (21) Average wealth levels also differ substantially by ethnicity: households headed by someone of White British ethnicity have average total wealth exceeding **£300,000**, while households led by Black African or Bangladeshi individuals hold less than **£70,000**. (21)

These patterns suggest that, while the Commission laid the groundwork for more inclusive participation, the combination of auto-enrolment, improved State Pension design, and behavioural nudges has not fully closed longstanding gaps. Persistently unequal pension outcomes for women and ethnic minorities are often linked to lower earnings, part-time work, or interrupted employment, which limit both eligibility and contributions. These structural inequalities should remain a central concern for policymakers seeking to achieve the Commission's vision of adequacy, sustainability, and fairness for all groups.

Private pension incomes of underpensioned groups range between 43% and 80% of the population average

The ratio of average (mean) private pension incomes of underpensioned groups to the baseline (population average) (2024 earnings terms)



Source: Adams, J. (PPI) (2024) The Underpensioned Index (22)

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Industry transformations have reshaped pension provision, shifted risks created new models of saving

DB closures to DC expansion and emerging collective models

The Turner Commission anticipated a gradual shift away from DB pensions in the private sector, noting that DB provision had already entered a period of decline by the early 2000s. While the Commission's second and third reports emphasised the need to preserve good-quality employer schemes wherever possible, they also acknowledged that over time, reliance on voluntary employer-led DB arrangements would diminish. Since then, the shift from DB to DC has accelerated, with private sector DB schemes largely closed and risks now falling mostly on individuals.

Automatic enrolment has driven a rapid expansion of DC, with master trusts emerging as the dominant vehicle for workplace pensions. These have enabled smaller employers to offer pensions efficiently, while consolidation has created fewer, larger schemes designed to improve member outcomes, though variation in performance remains.

Master trusts (not inc. GPPs) (2024)

Memberships	Assets
28 million	**£166 billion**
(91% of DC & hybrid schemes)	**(81% of DC schemes assets)**

Source: The Pensions Regulator (2025) Occupational defined contribution landscape in the UK 2024 (23)

More recently, a Collective Defined Contribution (CDC) scheme has emerged, offering new risk-pooling options that were not anticipated by the Commission. The Pension Schemes Act 2021 legislated a framework for CDC provision, and the first scheme, the Royal Mail Collective Pension Plan, was authorised in April 2023, and was launched in October 2024. While CDC remains at a very early stage, further developments may follow as the regulatory framework matures. As part of the Mansion House reforms, policymakers have highlighted CDC's potential to offer more predictable outcomes than individual DC accounts, although widespread adoption is likely to take time.

Overall, the pensions industry has fundamentally changed, fulfilling the Commission's goal of broad automatic enrolment but also shifting risks and experimenting with new models that will shape future retirement saving.

The Turner Commission did not foresee major economic and social shocks that have intensified pressures on pension savings

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Economic volatility has disrupted saving and challenged the Commission's assumptions of stability

The Turner Commission did not foresee the scale of economic and social shocks that have since intensified pressures on pension saving. Their analysis was based on relatively stable conditions, expecting strong growth, moderate inflation, and rising earnings over time. In reality, the past two decades have been marked by heightened economic volatility, persistent earnings stagnation, and historically low interest rates, all of which have weakened the foundations for long-term saving.

The 2008 financial crisis

The 2008 financial crisis led to the first fall in total pension contributions since records began in 1995. Combined employer and employee contributions to non-state pensions dropped from **£86 billion in 2007 to £82 billion in 2008**, mainly due to falling employer payments into funded occupational schemes, which fell sharply from **£37 billion to £33 billion** as company finances came under pressure. Individual contributions also declined, from **£11 billion to £10.3 billion.** While rising unemployment played a part, wider financial insecurity also reduced the capacity and willingness to save. Employers continued shifting away from Defined Benefit provision: average employer contributions remained much higher in final salary schemes (**16.6% of salary**) than in Defined Contribution schemes (**6.1%**), widening disparities in retirement saving adequacy across income groups.

This reduction in contributions, combined with market volatility, left many savers with smaller pension pots and increased uncertainty over their retirement income. (24)

"Following the global financial crash, probably a few years later, interest rates tumbled around the world, but particularly in the UK. Interest rates slumped, which meant annuity rates slumped, which meant the amount of pension you could get for this pot of money slumped".
-Stakeholder 2

Inflation

In 2022, inflation reached 11.1%, the highest level in over 40 years. This has been particularly challenging for pensioners, who are more exposed to inflation because they spend a larger share of their income on essential goods and services compared to the wider population.

Economic pressures and shifting pension risks

Rising living costs have constrained working-age saving. Housing costs and student loans significantly impact Gen Z's ability to save, while high living costs overall reduce disposable income and push long-term saving down the priority list (32). At the same time, the shift of risk onto individuals through Defined Contribution pensions has exposed savers to market volatility and placed greater responsibility on them to achieve adequate retirement incomes. These developments were not foreseen by the Turner Commission and highlight the importance of economic resilience, affordability, and intergenerational fairness in future pension policy.

Persistently low interest rates

Following the crisis, the Bank of England slashed interest rates to a historic low of 0.5% in 2009. Rates remained near-zero for over a decade, with consequences for retirement income. Annuity rates collapsed, eroding the purchasing power of pension pots and contributing to declining interest in guaranteed income products. This created new risks for retirees, who now had to manage longevity, inflation, and investment volatility without the security of traditional annuities.

The Turner Commission did not foresee major economic and social shocks that have intensified pressures on pension savings

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Pandemic disruption and the cost-of-living crisis have reduced saving capacity, while younger generations face growing intergenerational challenges

The Commission's analysis was based on relatively stable economic conditions and demographic trends. It did not anticipate the scale or impact of major shocks such as the 2008 financial crisis, the COVID-19 pandemic, or the cost-of-living crisis, all of which disrupted pension saving.

The COVID-19 Pandemic

One in four workers were furloughed between March 2020 and June 2021, with many reducing or pausing pension contributions. (25) Alongside furlough, redundancies surged at a pace exceeding the 2008–2009 financial crisis: between March and September 2020, the number of HR1 forms (advance notices that employers must submit when planning 20 or more redundancies at a single site) rose from **485** to **1,734** per month, signalling a wave of large-scale job losses. (26) The redundancy rate peaked at **35.8 per 1,000 employees** in some industries, such as administrative and support services. (26) Disabled employees also faced higher than average redundancy rates. The impact was particularly severe among older workers: unemployment among people aged 50 and over rose by **50% in 2020**, compared to **25% for all adults**, while the number of people aged 55+ claiming unemployment benefits doubled, reaching almost **395,000** by December 2020. Almost **150,000 people aged 65 and over left employment** in the first quarter of the pandemic alone. (27) It also worsened pension access for women, **300,000** more women lost AE eligibility during the pandemic. (28) Retirement plans and pension withdrawals were also affected, **5% of older workers expected to retire earlier** than planned due to the crisis, while **8% delayed retirement** to recover lost savings or support family. In the final three months of 2020, **£2.4 billion** was withdrawn flexibly from pensions, a **6% increase** year-on-year, as many drew down savings to cover shortfalls. (27) While many of these effects were temporary, they could still have long-term consequences for those whose employment or saving patterns were permanently disrupted. These shocks may increase the risk of inadequate pension savings and suboptimal retirement outcomes, particularly for under-pensioned groups or those renting their homes. It remains unclear whether the pandemic will result in lasting behavioural or structural changes to pension saving, but these trends should be closely monitored.

1 in 4 workers furloughed

300,000 more women lost AE eligibility

March 2020	September 2020
485 HR1 forms	1,734 HR1 forms

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In Summary

Successes and ongoing challenges have shaped the pensions landscape since the Turner Commission

- Since the Commission's 2005 recommendations, AE has significantly increased pension participation, with **11.7 million more employees saving now compared to 2012** and opt-out rates remaining low at **8–10%**.
- Despite this progress**, 8.3 million** workers remain ineligible for AE, of which around half (4.1 million) are self-employed individuals, highlighting persistent gaps in coverage. Of this group, around 6 million are not participating into a workplace pension.
- Median contribution rates have largely stalled at the **8%** minimum, falling short of adequacy targets needed to ensure sufficient retirement incomes.
- DC pension pots have grown modestly, with median pot sizes rising to **£15,000** in 2024 from **£11,400** in 2020, but concerns about adequacy remain.
- The nSP, introduced in 2016, simplified the system and the full rate of the nSP represents **31%** of median earnings.
- The State Pension spending is set to rise from around 5% of GDP in 2024-25 to 7.7% of GDP by the early 2070s. (33)
- The Triple Lock uprating mechanism has increased SP income faster than initially anticipated but has also raised fiscal costs. Due to inflation and earnings volatility over its first two decades in operation, the triple lock is expected to have cost **£15.5 billion annually** by **2029-30**, around three times higher than initial expectations. (33)
- SPa increases, aligned with rising longevity, aim to balance long-term sustainability and pension adequacy.
- Once the scheduled rise of SPa to **67 by 2028** is fully implemented between 2026 and 2028, annual spending on the State Pension and Pension Credit will be around **£10.5 billion lower** by **2029/30**, primarily due to later pension eligibility for successive cohorts.
- However, SPa increases disproportionately impact lower-income individuals and those with ill health, raising important equity concerns.
- Further changes to SPa have been considered by two State Pension age Reviews in 2017 and 2023. Neither suggested increases beyond age 68.
- Labour market fragmentation and falling homeownership rates undermine retirement security, with **self-employment rising to 13%** of the workforce in 2024 and **homeownership among 35–44-year-olds** dropping from **70% in 2004** to **50% in 2024**.
- These trends increase reliance on pension saving and state support in later life.
- Persistent inequalities remain, including women accruing less pension wealth than men and higher opt-out rates among some ethnic minority groups.
- The shift from DB to DC schemes continues, with master trusts dominating workplace pensions and emerging CDC models offering new risk-sharing approaches.
- Economic shocks such as the 2008 financial crisis, the COVID-19 pandemic, and the ongoing cost-of-living crisis have disrupted saving behaviours, reduced pension contributions, and heightened financial pressures, particularly for younger generations and vulnerable groups.
- These developments highlight the continuing challenge of balancing adequacy, sustainability, and fairness in UK pensions policy while addressing issues unforeseen by the Turner Commission.

Looking ahead

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Current pensions policy involves balancing multiple trade-offs with no single optimal solution

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Current pensions policy reflects complex trade-offs that have emerged while trying to deliver the Turner Commission's long-term vision

The Turner Commission's framework was built on three interdependent aims: adequacy, coverage, and sustainability. Since then, new challenges and evolving saver behaviours have introduced tensions in meeting these aims. Key trade-offs include:

Adequacy vs. sustainability

The Commission assumed rising contributions and stable public finances. In practice, contribution rates have stagnated at the minimum and raising them could improve adequacy but may be unaffordable for some and increase long-term fiscal pressure.

Choice vs. simplicity

The Commission supported greater flexibility in retirement, such as deferral incentives and gradual exit from work. Pension Freedoms have gone further, enhancing personal control but increasing complexity and decision-making burdens on individuals, especially those with limited financial knowledge.

Engagement vs. defaults

The Commission's approach relied on inertia through AE but also expected voluntary saving and decision-making to grow over time. In reality, engagement remains low, and defaults are key to protecting less active savers, highlighting a tension between empowerment and protection.

Coverage vs. burden on employers

The Commission proposed AE as a low-cost, inclusive way to expand pension saving. While it has improved coverage, widening AE further (e.g. to younger workers, low earners, or the self-employed) could strain smaller employers, raising questions of fairness and feasibility.

Cost to Government vs. outcomes for savers

The Commission supported the use of tax relief and National Insurance incentives to encourage pension saving, particularly within a system that placed more responsibility on individuals. It also recommended improving public awareness of these advantages to support informed decision-making. Since then, tax relief on pension contributions and the State Pension triple lock play a vital role in maintaining adequacy and incentivising saving. In 2022–23, total pension tax relief cost **£48.7 billion**, with **£17 billion** supporting employer contributions and only **£0.9 billion** directed to self-employed savers. (30) Higher-rate taxpayers received **56%** of the total relief while basic-rate taxpayers received **37%**, reflecting that most of the financial benefit goes to higher earners rather than lower earners. (30) While these incentives support pension accumulation, mainly through employer schemes, there are growing concerns about their long-term fiscal sustainability and whether they effectively reach the under-pensioned groups the Commission aimed to support (such as the **4.3 million self-employed)**.

The Commission's recommendations continue to shape today's pensions policy and set challenges for the next phase of reform

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The Government's review must build on past successes while addressing gaps in adequacy, resilience, and fairness

Potential areas to be considered by the current Pensions Commission

- Whether current AE contribution rates are sufficient for adequate retirement incomes given rising life expectancy and reliance on DC pensions.
- How self-employed workers and those with multiple low-paid jobs can build meaningful pension savings alongside employed peers.
- The role of Pension Freedoms in creating complex decisions and variable outcomes, and whether additional support or safeguards could help individuals navigate risk and manage longevity
- How the State Pension interacts with means-tested benefits and tax rules, and what an appropriate long-term SP level should be.
- Whether persistent wealth inequalities, such as the concentration of pension and property wealth among higher-income households, are undermining fairness and intergenerational equity
- The potential for Mansion House reforms and consolidation to deliver better value for members while maintaining consumer protections and fiduciary standards.
- How rising costs of living and wider economic pressures are shaping expectations of adequacy, including whether adequacy should be redefined to reflect contemporary living standards.
- How voluntary contributions, as anticipated by the Turner Commission, could be encouraged and by whom (employers, government, or industry)?

To conclude, reflecting on 20 years of UK pension reform

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Progress, challenges, and future considerations

The Turner Commission set a clear, ambitious blueprint centred on adequacy, sustainability, and coverage, which has shaped UK pension reform over the past two decades.

Balancing competing objectives remains central to future policy

- Enhancing adequacy must be weighed against affordability for workers and employers and the long-term fiscal sustainability of state pensions.
- The growing complexity of pension choices contrasts with the need for simplicity and accessible guidance.
- Equity concerns persist around wealth distribution, access to tax relief, and the varying impacts of pension age changes.

Looking ahead, key areas for consideration include:

- Whether contribution levels and automatic enrolment eligibility require reform to reflect modern labour market realities and longevity trends.
- How to support those excluded or disadvantaged under current frameworks, including the self-employed and low earners.
- The implications of decumulation choices on retirement security and whether stronger safeguards or support frameworks are needed.
- The role of upcoming reforms, such as Mansion House proposals and CDC models, in enhancing value and governance without compromising consumer protection.

Stakeholder insights

Looking ahead, stakeholders emphasise the need for clearer roles and objectives within the pension system, particularly for the State Pension, and call for a renewed framework that supports better alignment between state and private provision. They also suggest that understanding and measuring adequacy more clearly, including during decumulation, will be vital to ensuring that reforms deliver sustainable and equitable outcomes.

As the current Pensions Commission progresses, these insights underline the importance of returning to the Commission's original goals, not only to assess what has been achieved, but to inform how future reforms can adapt to today's economic realities, changing work patterns, and evolving saver needs. The launch of the new Pensions Commission in 2025 offers a further opportunity to revisit these goals and address persistent gaps in adequacy and coverage for the next generation of savers.

Acknowledgements

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The Pensions Policy Institute is grateful for input from many people in the production of this slide deck, including:

Laura Adelman
Ryan Churchill
Chris Curry
Danielle Elliott
Inez Gallagher
Dr. Priya Khambhaita
Richard Mosley
Dr. Alison O'Connell
Kieran Phillips
Tim Pike
Daniela Silcock
Sir Steve Webb
Lauren White

Editing decisions remain with the author who takes responsibility for any remaining errors or omissions.

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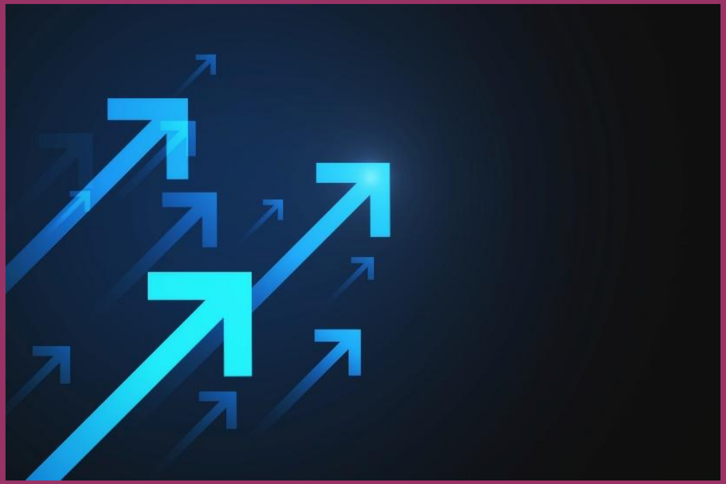
Annex

How far has policy aligned with the Commission’s vision?



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Building the foundations of coverage, adequacy and sustainability (2004–2010)

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Green: Alignment
Yellow: Partial alignment
Pink: Deviation
Blue: Reference point

Year	Policy/Development	Alignment with Commission's vision
2004	**Pensions Act 2004** Introduced The Pensions Regulator (TPR) and Pension Protection Fund (PPF), aiming to restore trust in DB pensions and protect members.	Sustainability: Stronger regulation and security mechanisms
2004	**Turner Commission Report 1** – *Pensions: Challenges and Choices* Diagnosed the long-term challenges facing the UK pension system (under-saving, rising longevity, declining DB). Set the scene for policy reform.	Foundation for reform
2005	**Turner Commission Report 2** – *A New Pension Settlement for the Twenty-First Century* Recommended a coherent framework: a more generous, simpler State Pension; automatic enrolment into workplace pensions; and improved voluntary saving options.	Articulates Adequacy, Sustainability, Coverage model
2006	**Turner Commission Report 3** – *Final Recommendations* Confirmed three-pillar structure: reformed State Pension, automatic enrolment, and voluntary saving through NEST.	Finalised the Commission's vision
2006	**Employment equality (age) regulations** Prohibited mandatory retirement based on age.	Promotes longer working lives, aligned with sustainability
2007	**Government White Paper response** Confirmed plan to implement Commission's key recommendations, including State Pension reform and automatic enrolment.	Broad alignment
2007	**Pensions Act 2007** Legislated for three increases in SPa, reflecting Turner Commission recommendations, and introduced measures to improve State Pension eligibility.	In line with the Turner Commission's recommendations
2008	**Pensions Act 2008** Legislated for automatic enrolment and NEST, with phased rollout from 2012.	Coverage and Adequacy, landmark implementation
2010	**Equality Act 2010** Brought together anti-discrimination laws, applying to pension schemes.	Supports inclusive access and fairness

Most developments in this period were strongly aligned with the Turner Commission's recommendations. Green-rated reforms, such as the Pensions Act 2008 and the Equality Act 2010, established automatic enrolment and strengthened fairness and protection. The blue reference points show how the three Turner reports provided a foundation for later change. The Employment Equality (Age) Regulations partly aligned with the vision by supporting longer working lives, reflecting early progress on sustainability.

Delivering core reforms while introducing new risks and trade-offs (2011–2018)

Green: Alignment
Yellow: Partial alignment
Pink: Deviation
Blue: Reference point

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Year	Policy/Development	Alignment with Commission's vision
2011	**Pensions Act** Accelerated the equalization of SPa for men and women.	Sustainability: Aligned with expectations
2011	**Triple Lock introduced** Guaranteed that State Pension rises by earnings, inflation or 2.5% (whichever is highest).	Adequacy: Protects value of State Pension
2012	**Automatic enrolment rollout begins** Phased introduction by employer size, increasing workplace pension participation.	Coverage and Adequacy: Core to Commission's aims
2014	**Pension freedoms announced** DC savers given flexible access from age 55, replacing requirement to buy an annuity.	Deviation: Undermines intended use of DC pensions for secure income
2014	**Pensions Act** Introduced measures to accelerate State Pension age increases to 67, required regular reviews of SPa	Sustainability: Aligned with expectations
2015	**Pension freedoms implemented** Freedom to fully withdraw DC pots, draw down or annuitise; 25% tax-free, rest taxed.	Deviation: Risk to adequacy and sustainability for some groups
2016	**New State Pension introduced** Single-tier, flat-rate system replaces basic/State Second Pension.	Adequacy and Simplicity: Strongly aligned
2017	**Automatic enrolment review** Recommended lowering entry age from 22 to 18 and removing lower earnings threshold.	Coverage and Adequacy: Aligned direction; not yet enacted
2017	**State Pension age review** Proposed increasing the State Pension age to 68 between 2037 and 2039	Sustainability: Aligned with expectations
2018	**Women's SPA reaches 65** Fully aligned with men's SPA.	Sustainability: Reflects Commission's long-term demographic view

This period combined strong alignment with Turner's goals and the emergence of significant tensions. Green-rated reforms, like the introduction of the new State Pension and the rollout of automatic enrolment, strengthened adequacy and coverage. However, the pink-rated Pension Freedoms marked a major deviation, shifting risk onto individuals and challenging the original vision of secure retirement income. Yellow entries, including SPA equalisation and the Triple Lock, partly aligned with the Commission's aims but raised debates around sustainability, fairness, and long-term costs.

Driving consolidation, flexibility and Investment reforms (2020–2025)

Green: Alignment
Yellow: Partial alignment
Pink: Deviation
Blue: Reference point

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Year	Policy/Development	Alignment with Commission's vision
2020	**SPA increased to 66** Applied to both men and women; part of phased increase to 68.	Sustainability. Consistent with expectations
2021	**Pension Schemes Act** Introduced legal framework for CDC schemes; Royal Mail plan later authorised.	Innovation in sustainability. Not envisioned by Turner but complementary
2023	**AE Expansion Act Passed** Legislative basis to implement AE Review recommendations.	Coverage and adequacy: Delivers long-anticipated changes
2023	**Mansion House Reforms** Policy drive to invest more in productive finance and consolidate pots.	Indirectly linked to Sustainability and Value
2023	**State Pension age review** Confirmed the planned rise to age 67 between 2026 and 2028, deemed the existing timetable for age 68 appropriate, and committed to a further review within two years to consider any changes.	Sustainability. Consistent with expectations
2024	**Pensions Schemes Bill Announced** Supports pot consolidation, introduces VfM framework, follows on from Mansion House.	Governance and Efficiency: Adjacent to Commission framework
2024	**Advice/Guidance Boundary Review** Explores ways to close the advice gap post-pension freedoms.	Response to unintended consequence of flexibilities
2025	**Pensions Review Phase 1** Published May 2025 final report aiming to boost investment in UK markets, improve saver outcomes, and consolidate DC pensions and LGPS funds into larger pools for efficiency and growth.	Seeks to reassess alignment with original vision

This period has seen a mix of aligned reforms and new directions responding to emerging challenges. Green-rated changes, such as the State Pension Age increase and the AE Expansion Act, reinforced sustainability and broadened coverage. Yellow innovations, including the Mansion House reforms, CDC legislation, and the advice review, were not part of Turner's original framework but aim to improve value, governance, and flexibility. The 2025 Pensions Review acts as a blue reference point, reassessing how well today's policies reflect the Commission's vision in a changing landscape.