

Pensions Adequacy Working Group

*Building a sustainable framework for
delivering secure and adequate
retirement outcomes*

INTERIM REPORT

July 2026



Executive Summary

Executive Summary

Retirement provision for individuals in the UK will comprise of elements from the state, employers and individual savings (both compulsory and voluntary).

The first Pensions Commission (the 'Commission') found that the majority of employees (60%) aged 35 and over were on course to have inadequate pensions. Since then, the UK has made significant progress in widening pension participation through automatic enrolment ('AE'), but retirement adequacy remains a challenge with the second Pensions Commission finding that around 40% of all working-age people are undersaving. This challenge is particularly acute for a number of under-pensioned groups. Lower-paid workers, women with interrupted careers, some ethnic minority groups, the self-employed, people in insecure work and those with long-term health conditions remain at particular risk of inadequate retirement income. Societal changes including fewer individuals owning their own houses create further adequacy challenges at retirement.

This interim working paper considers policy interventions that could materially improve sustainable retirement income for those groups without relying on higher employer AE contribution rates.

Our interim report focuses on three themes:

1. Building trust and understanding in the UK pensions system
2. Harnessing inertia to effect behavioural change; and
3. Changes to the delivery model through reform of the State Pension and wider use of Collective Defined Contribution (CDC)

The Working Group recommends a package of reforms across six areas: building a more stable pensions tax framework; improving engagement through targeted education and digital support; using sidecar savings to strengthen short-term financial resilience; extending automatic enrolment by lowering the eligibility age and reviewing earnings thresholds; supporting CDC as a mainstream retirement model; and considering State Pension reform that combines a universal foundation with targeted support for those most reliant on State provision. Taken together, these measures would improve trust, make saving easier, use inertia more effectively and reform the delivery model so that more people can achieve adequate retirement outcomes.



Scope and approach

Scope and approach

This interim report assesses policy interventions that could materially improve the level of sustainable income available in retirement to cohorts of the population who are currently under-pensioned. Our interim report is organised under three broad themes:

01

Building trust and understanding

02

Harnessing inertia to effect behavioural change

03

Changes to the delivery model

Consistent with the working group's agreed scope, our interim report does not consider wider savings; the wider impact of means-tested benefits and social care funding; a general increase in employer auto-enrolment contribution levels; or wider macroeconomic policy designed to increase wealth in the UK economy.

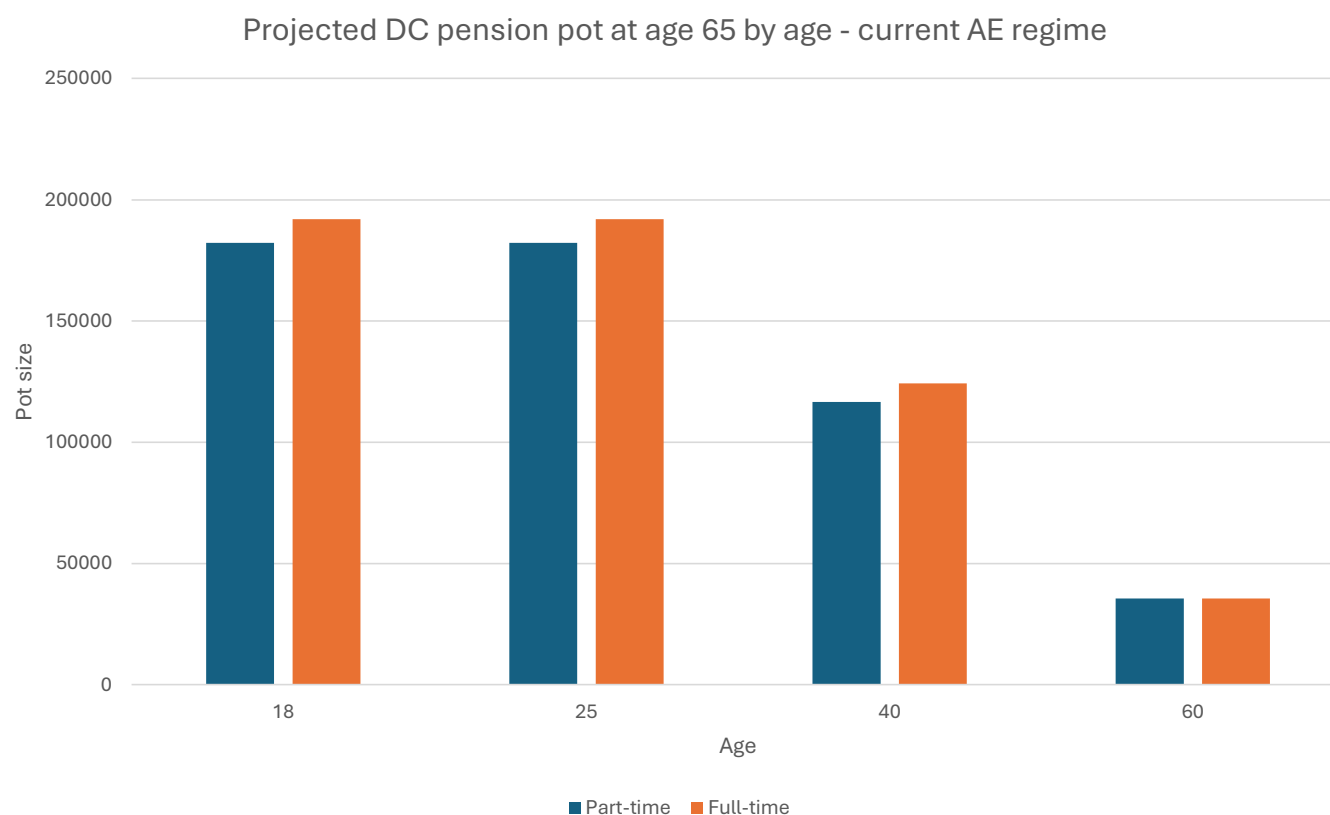
To support our recommendations, we have undertaken modelling to assess the impact of policy interventions on retirement outcomes for representative member cohorts, including individuals working part-time and those with interrupted careers.

For our baseline case, we have assumed the individual:

- has a current salary of c£26k which increases each year in line with inflation
- saves auto-enrolment ('AE') minimum level of contributions throughout their working life
- receives annual increases to their savings pot of 4% real from age 25, reducing at later ages
- works at 80% of full-time hours from age 35 for a period of 10 years, in the part-time scenario



Baseline modelling



For a 25-year-old, our modelling shows a projected Defined Contribution ('DC') pension pot of £195k and £185k in the full-time and part-time scenarios respectively which, in annual income terms, is £8,500 and £8,000 respectively.

For a 40-year-old (i.e. an individual with approximately 25 years of pension saving), the projected DC pension pots are materially lower. £125k and £115k in the full-time and part-time scenarios respectively which, in annual income terms, is £5,500 and £5,000 respectively.

The 40- and 60-year-olds entered AE when contribution rates were lower and rose gradually over time, whereas the 18- and 25-year-olds are assumed to have been enrolled at the qualifying age.

The part-time scenario only captures the potential impact of people taking time out for children or caring responsibilities. However, if for example, moving to part-time resulted in a lower rate of salary progression the impact could be larger.

Background

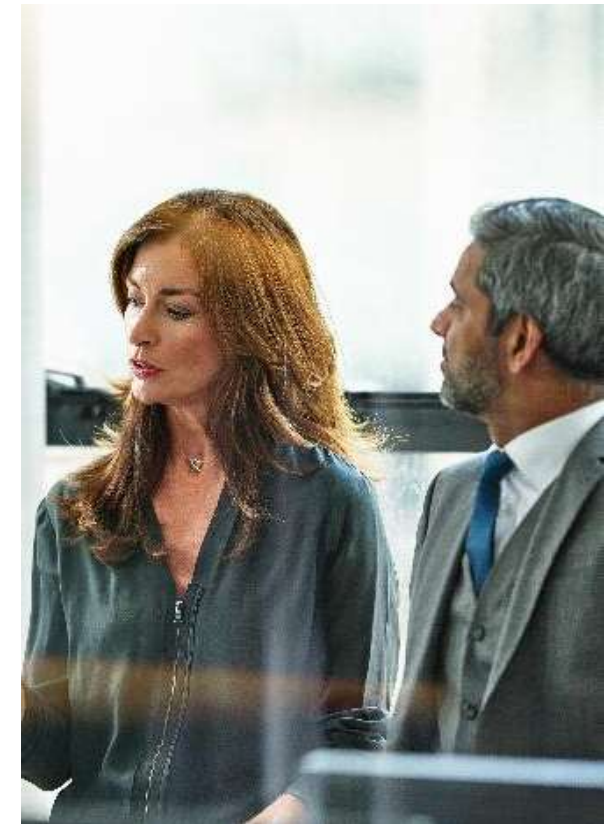
Background

(1 of 2)

The UK pensions system has many strengths. AE has brought millions more people into workplace pensions and participation rates are significantly higher than before 2012. Yet beneath that headline success, retirement adequacy remains a serious concern. For many people, minimum contribution rates alone are unlikely to deliver adequacy at retirement, particularly where careers are interrupted, earnings are low or savings are fragmented across multiple jobs and providers.

Under-pensioned groups are not defined solely by low pot size. They are often characterised by a combination of labour market, demographic and behavioural factors that compound over time. These include lower-paid workers, people with multiple part-time jobs, women with caring breaks, ethnic minority groups with lower average private pension wealth, the self-employed, people in insecure work and those whose earnings are disrupted by long-term ill health or disability.

The findings of the second Pensions Commission reflect the scale of the challenge. The next phase of policy needs to move beyond participation alone and focus on whether people can build retirement income that is sufficient, sustainable and trusted. That requires attention not only to contribution levels, but also to behavioural frictions, policy stability and the design of retirement income models.



Background (2 of 2)

Pensions UK defines three annual retirement budgets¹:

Minimum

£13,900 | 82% of members on track

Moderate

£32,700 | 23% of members on track

Comfortable

£45,400 | Less than 9% of DC members on track

What do these budgets not include:

- Rent or mortgage costs
- Rising food and energy costs, and
- Limited public transport in rural or deprived areas

For our purposes, we will define adequacy as gross annual earnings in retirement of c£20,000. This is to reflect the growing number of individuals who will continue to have housing costs in retirement. This means that in addition to State Pension an individual will need a pot which can deliver an annual income of c£7,500.

Sources:

¹Pensions UK (2026), *Retirement Living Standards*, updated June 2026

²Pensions Commission (2026), *Pensions 2050: Evidence and Future Priorities – Interim Report*

15 million

workers are under-saving²

Disproportionately affected:

01 Multiple job holders

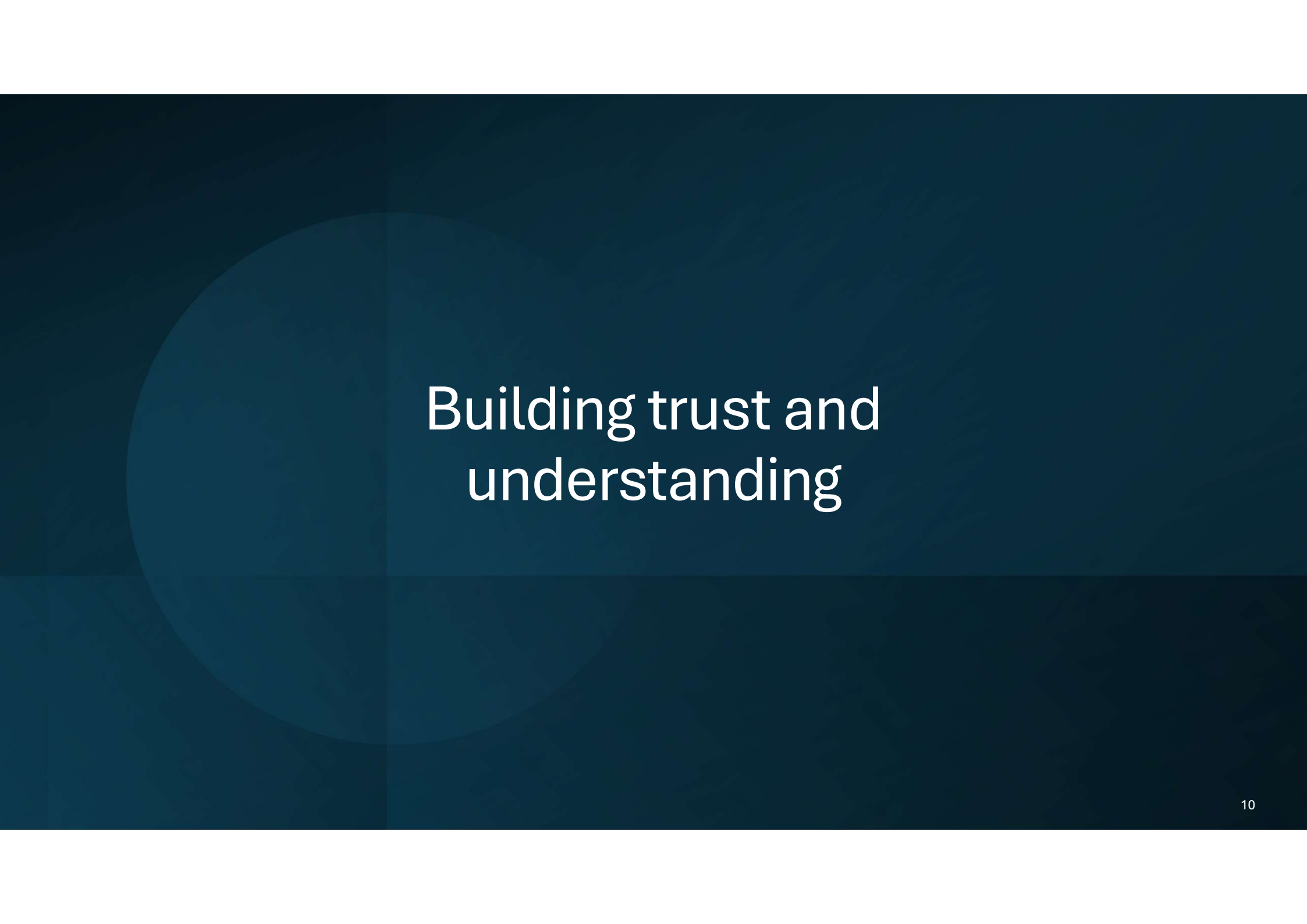
04 People with disabilities

02 Women

05 Ethnic minority groups

03 Carers

06 Self-employed

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Building trust and understanding

Building trust and understanding

Our first area of focus is how the pensions system can build trust and support more informed decision-making. Two related themes emerge:

- the importance of a stable taxation framework and
- the need for targeted education and digital support designed around under-pensioned groups.



A more stable pensions taxation system

(1 of 2)

A pensions tax framework should encourage long-term saving, target relief in a way the public sees as fair, and give individuals confidence that the rules under which they save will not be changed repeatedly after decisions have been made.

The UK system has supported high aggregate levels of pension saving, but it has also become difficult to understand. Since A-Day in 2006, there have been more than 30 separate changes to pension tax rules, limits and protections – including the Annual Allowance, Lifetime Allowance, Tapered Annual Allowance and Money Purchase Annual Allowance.

While many of these changes have been well intentioned - introduced for understandable fiscal or distributional reasons - the cumulative effect has been to create complexity and, in some cases, uncertainty about the long-term value of pension saving. Pensions are fundamentally a long-term contract between the individual and the state. Individuals are being asked to lock away savings for 30 to 40 years, and therefore confidence that the rules will remain broadly stable is critical.

Instability does not affect all members equally. Auto-enrolled mass-market members are often insulated because decisions are automated, whereas those making active contribution, retirement and workforce decisions are much more exposed to the behavioural effects of uncertainty and complexity.

A more stable tax framework would not, on its own, solve the retirement adequacy challenge. It could, however, improve outcomes by reducing avoidable opt-out behaviour, making additional voluntary contributions more attractive and rebuilding confidence in long-term pension saving.

Evidence from the NHS illustrates how poorly aligned tax rules can distort labour supply and retirement decisions. We have also observed how uncertainty around pension tax rules can drive behavioural responses, such as accelerated withdrawals or changes in savings behaviour. More broadly, international evidence suggests that trust in pension institutions is associated with higher levels of voluntary pension saving.

A more stable pensions taxation system

(2 of 2)

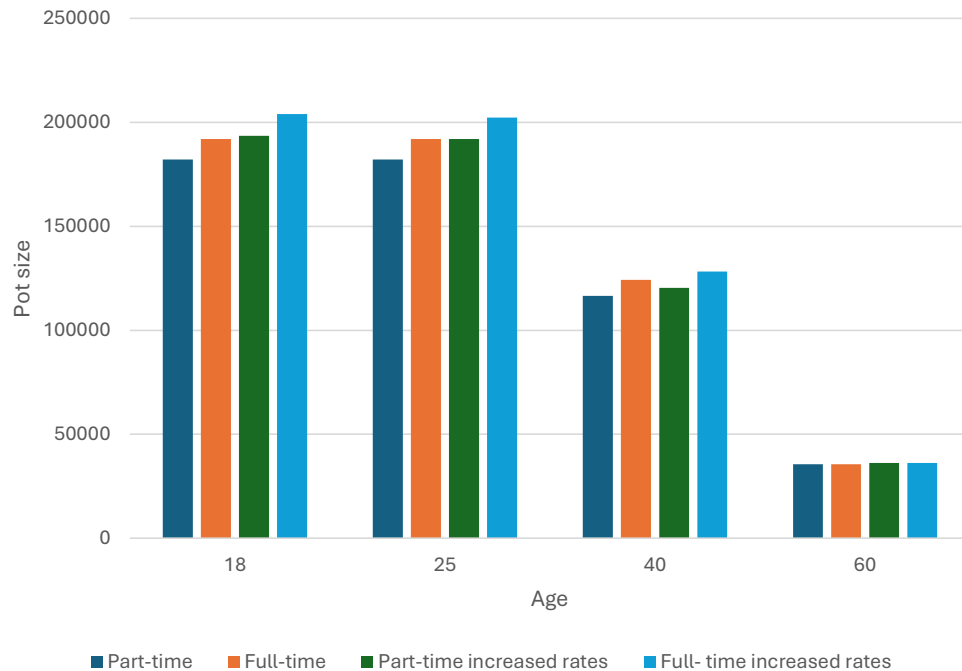
Recommendations

- 01 Adopt a “stability first” principle for mainstream pensions tax policy
- 02 Reduce the frequency of major threshold changes through more predictable multi-year settlements
- 03 Prioritise simplicity over fine-tuning where the behavioural effects of complexity are damaging
- 04 Assess reforms through a behavioural lens as well as a fiscal lens
- 05 Use long lead times and transitional protections where change is unavoidable

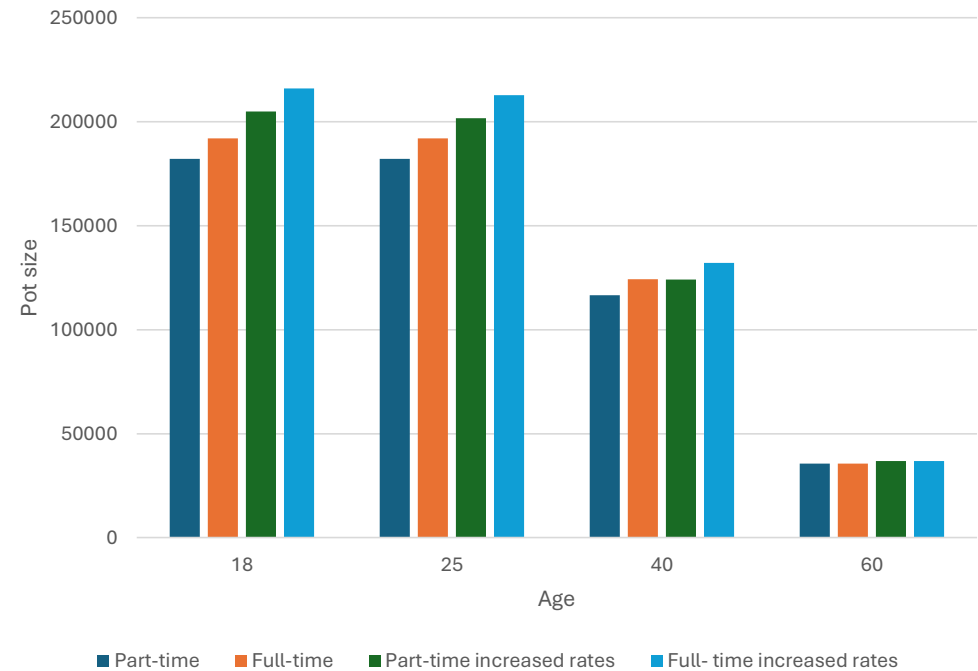
We have modelled the impact of increased trust as a modest uplift in voluntary saving. Our modelling shows that, for a 25-year-old, they would be expected to receive an additional £500 of annual income in retirement for each 0.5% of additional voluntary savings.

Impact on outcomes

Projected DC pension pot at age 65 by age - additional 0.5% of voluntary saving



Projected DC pension pot at age 65 by age - additional 1% of voluntary saving



Education, digital tools and targeted support

Traditional Pensions Engagement

01

Traditional pensions engagement has often been poorly suited to under-pensioned groups. Annual statements, generic brochures and static portals assume confidence with pensions terminology and stable employment patterns. In practice, many people most at risk of poor retirement outcomes face competing pressures on income, fragmented pot holdings, limited access to advice and lower familiarity with pensions concepts.

Digital banking

02

Digital banking demonstrates that well-designed technology can change behaviour at scale, including among customers with modest incomes. Features such as frictionless access, real-time information, practical nudges and budgeting tools have become normal in day-to-day money management. Pensions are different - less intuitive than bank accounts, the time horizon is longer and outcomes feel less tangible. Therefore, the recommendation is to map across the principles of access, clarity and relevance rather than simply copying the approach of banking apps.

Under-pensioned groups

03

For under-pensioned groups, effective education needs to be lifelong, practical and targeted. Early in working life, the priority is simple explanations of how workplace pensions, employer contributions and tax relief work. Mid-career support should acknowledge irregular incomes, non-standard work and multiple small pots, with empathetic guidance on feasible small steps. Pre-retirement support should focus on realistic income expectations, options for stretching limited resources, scam awareness and access to human guidance at key decisions.

Technology

04

Technology can support this agenda if it is designed around need. Personalised dashboards should focus on expected income, not just pot values; nudges should be timed and phrased in ways that respect affordability constraints; and consolidation support should help members identify and tidy up small deferred pots. AI and analytics can help identify under-pensioned segments and tailor communications for example where contribution levels are low or pots are fragmented. It will be important that in introducing AI, the governance, transparency and the distinction between guidance and advice are maintained.

The challenge doesn't only relate to information - it is relevance, accessibility and trust in the information provided. We must understand and recognise that individuals face a much more complex set of retirement decisions than previous generations, and especially those who have experienced structural barriers throughout their working life. The real test of success will be if under-pensioned groups can say: "I understand what I have, I know what I can realistically do, and I feel supported in doing so."

Using inertia to drive better outcomes

Why inertia matters

01

- Automatic enrolment has shown how powerful defaults and inertia can be — the Commission is clear that it has normalised pension saving, but it also shows that participation alone does not guarantee adequacy if people remain on contribution paths that are too low and can lock people into poor outcomes.
- Many members do not make active pension decisions — doing nothing is often the default.
- For under-pensioned groups, financial pressure, fragmented pots and lower confidence make inertia even stronger.
- This means poor-value arrangements, missed consolidation opportunities and low contribution levels can persist by default.

What good design looks like

02

- Where possible, better outcomes should happen by default rather than depending on people making extra decisions.
- Better defaults, including lower-fee or better-value fund pathways where appropriate.
- Easier consolidation of small deferred pots.
- Auto-escalation or timed prompts linked to pay rises or job changes.
- Digital journeys that show simple, achievable next steps rather than requiring active decision-making.



Harnessing inertia to effect behavioural change

Harnessing inertia to effect behavioural change

The second theme is exploring how inertia can be used to effect behavioural change and allow long-term saving to become habitual earlier in people's working lives. We look specifically at sidecar savings and extending the successful inertia-based pensions savings mechanism of AE.



Supporting financial resilience: Sidecar savings

(1 of 2)

Alongside long-term retirement inadequacy, many UK households have limited short-term financial resilience. A significant proportion of people hold little accessible savings, leaving them exposed to income shocks and reliant on high-cost borrowing that leaves less to live on and less to save.

This creates a direct link between short-term resilience and long-term pension adequacy. Where individuals cannot absorb a shock, they are more likely to take on high-interest debt, cut back on saving, meaning little to no thought is given to their retirement adequacy.

Without an accessible savings buffer, decisions to prioritise short-term financial needs over long-term saving can persist over time and may have a disproportionate impact on under-pensioned groups. Evidence suggests even a modest buffer of around £1,000 makes households significantly less likely to fall into problem debt.

What are sidecar savings?

A sidecar savings arrangement is an emergency cash accessible pot provided through the workplace. The model harnesses the same inertia that makes AE successful, placing accessible short-term savings alongside pension contributions. Under a typical opt-out design:

- 01 A regular amount is deducted through payroll each pay period
- 02 Contributions are first directed into an accessible savings pot
- 03 Once a set cap is reached (e.g. £1,000–£2,000), further saving is redirected into the pension
- 04 If savings are withdrawn, contributions temporarily rebuild the buffer

Evidence

Trials, particularly NEST Insight¹, show that participation rises sharply under opt-out designs (around 50–70%) compared with opt-in (around 1%). Meaningful buffers are typically built within one to two years, with limited evidence of pension “crowding out”.

Supporting financial resilience: Sidecar savings

(2 of 2)

Material improvements could be achieved across all modelled personas, particularly younger members. Our modelling shows that individuals who are able to avoid high-cost borrowing and instead redirect those funds towards pension saving could significantly improve retirement outcomes. Coupled with enhanced financial resilience and reduced pension opt-out rates, sidecar savings have the potential to deliver meaningful improvements in retirement adequacy.

Considerations

From an employer perspective, sidecar savings can be a relatively low-cost intervention, as they do not require an increase in overall contribution levels.

However, implementation challenges include:

- Payroll and administrative complexity
- Provider availability and system capability
- Communication and member understanding
- Governance and consent considerations (particularly under opt-out models)

For smaller employers, wider adoption may require a government-supported solution, similar to NEST.

Recommendation

Sidecar savings should not be viewed as a substitute for structural reform (e.g. Collective Defined Contribution or State Pension changes). Instead, they represent a supporting intervention, helping individuals maintain consistent engagement with pension saving over time.

To support the wider adoption of sidecar savings arrangements, we would recommend:

1. A simple, standardised sidecar savings framework built around opt-out participation and appropriate safeguards.
2. The use of capped emergency savings buffers that balance accessibility with long-term saving objectives.
3. A government-backed delivery option, aligned with wider automatic enrolment reforms (similar to NEST), to support adoption by smaller employers.

Extending automatic-enrolment (1 of 2)

The 2017 Review of Automatic Enrolment and the Pensions (Extension Of Enrolment) Act 2023 paved the way for the UK government to make two changes to AE rules:

- Reducing the AE minimum eligibility age from 22 to 18
- Removing the lower earnings band so minimum contributions apply from the first £1 of earnings

Successive UK governments have been non-committal to a timetable to implement these changes. Concerns have been raised within the industry on the impact on current finances for lower-paid workers who may be struggling with the cost of living.

Evidence

AE opt-out rates are currently low. As a result, it seems unlikely that the proposed changes would materially increase opt-out rates, therefore, participation rates in pension saving would likely increase for younger workers

- Starting saving for those in work at age 18 will have a materially positive impact on retirement adequacy due to the additional contributions paid and compounding of returns even for relatively low levels of saving.
- The lower earnings band was originally designed to protect people on low incomes from saving into a pension when this may not be appropriate for them, i.e. as the State Pension would deliver a replacement income in retirement relative to their pre-retirement income levels.
- Recent research from the PPI and others highlights that removing the lower earnings band could disproportionately impact the current standard of living for lower-paid workers in exchange for a better standard of living in retirement. This trade-off may not be desirable for many. A lower living standard in working life could reduce life expectancy in retirement.

Extending automatic-enrolment (2 of 2)

Considerations

A Option A: First £1 of Earnings (Employer and Employee)

- Total contributions and projected retirement outcomes.
- Reduced net pay for employees.
- Higher employer costs.

B Option B: Eligibility from 18 (Current Earnings banding retained)

- More years of contributions and compound investment growth leading to higher projected outcomes for those in the workforce at younger ages
- Earlier reduction in net pay for 18–21-year-olds.
- Increased employer contributions for younger workers.

C Option C: Combined A&B (First £1 + Age 18, Employer and Employee)

- Largest overall increase in contributions and projected retirement adequacy.
- Highest impact on net pay and employer costs.

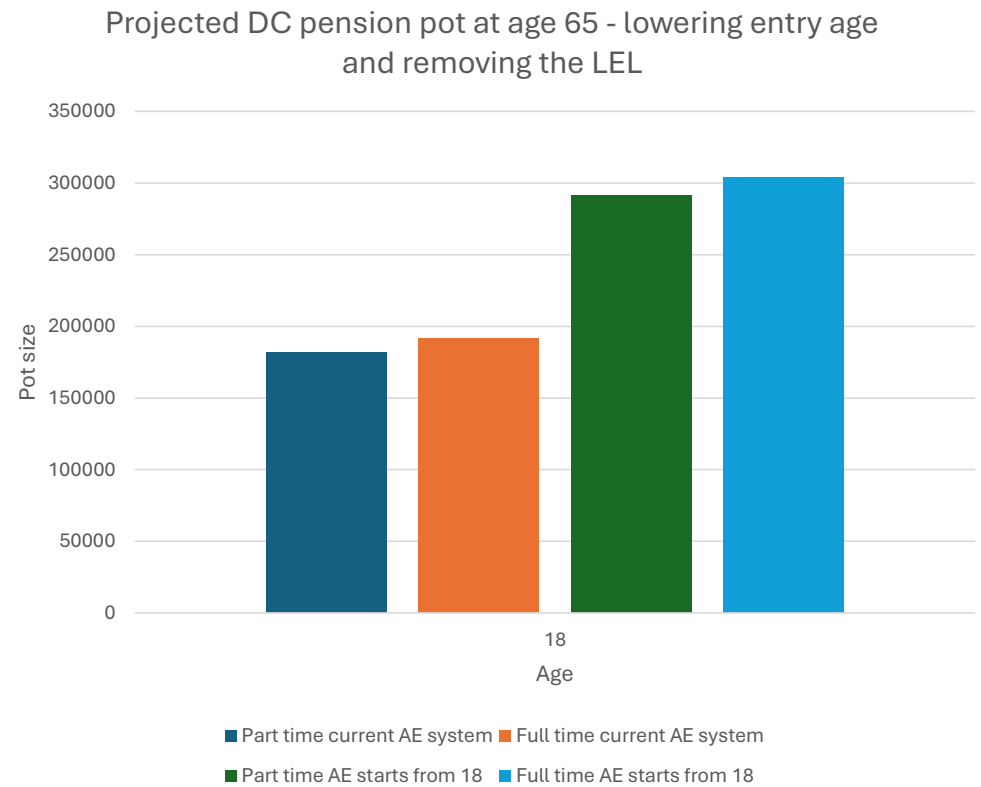
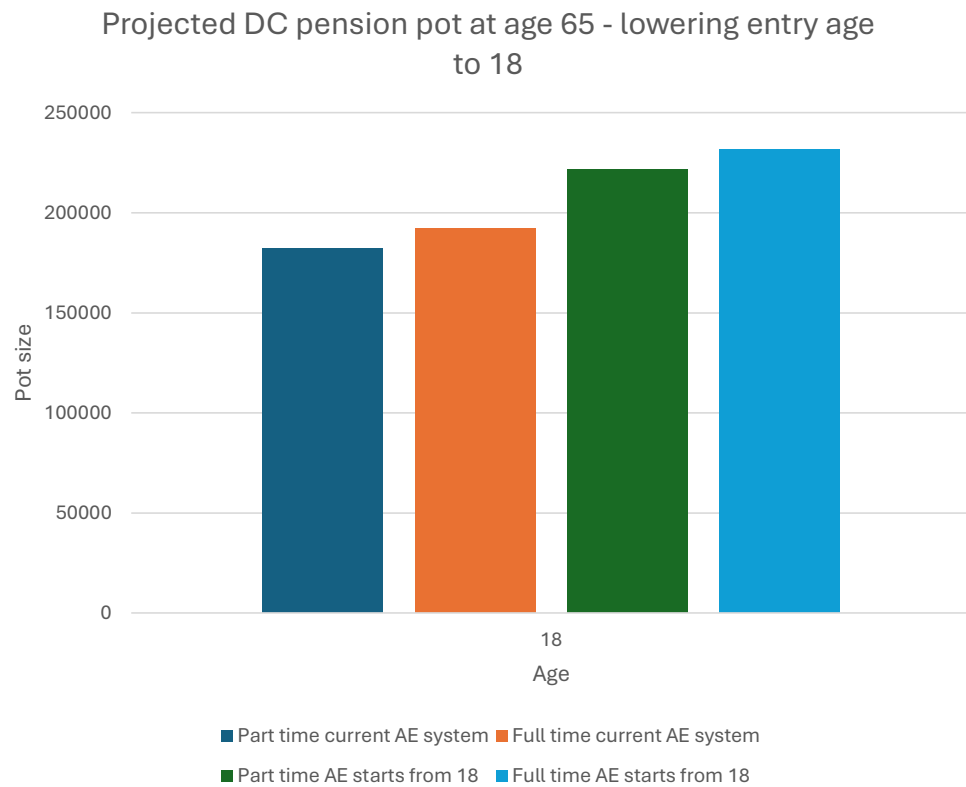
D Option D: Proposed variation (First £1 for Employer contributions only plus Age 18)

- Higher employer costs than status quo.
- Improved retirement adequacy compared with current rules through:
 - Broader employer contribution base.
 - Earlier start to saving.
- Limited default impact on employee net pay (unless they opt for full earnings or higher rates).
- Maintains employee choice over increased contributions on the lowest band of earnings.

Recommendation

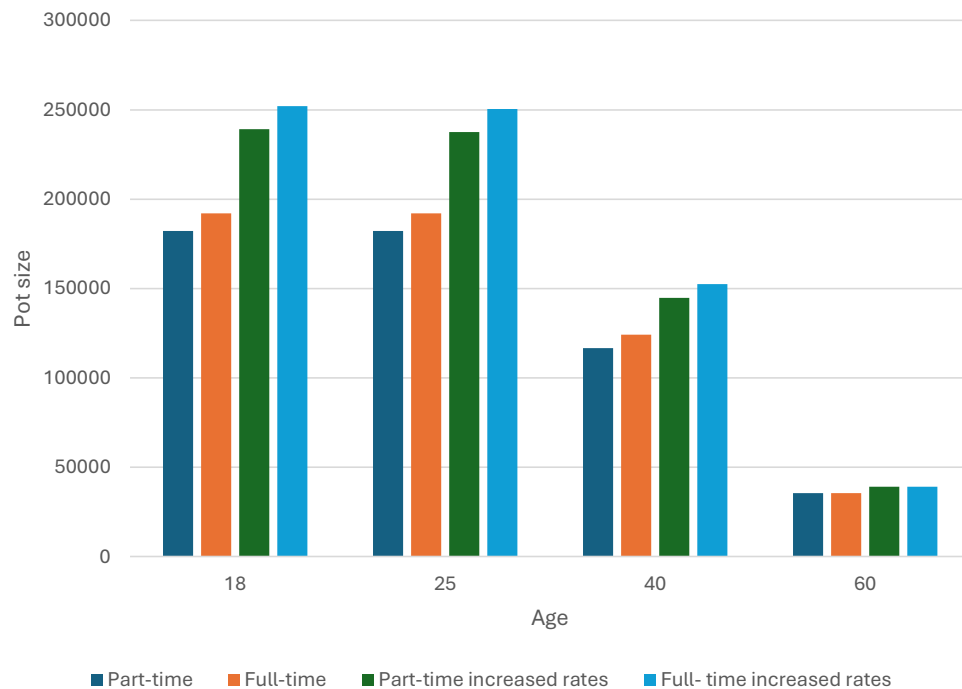
We recommend extending AE to lower the eligibility age to 18 while reviewing the application of contributions on lower earnings. This would increase participation and years of pension saving, whilst balancing the objective of improving retirement adequacy against the affordability pressures faced by lower-paid workers.

Impact on outcomes (1 of 3)

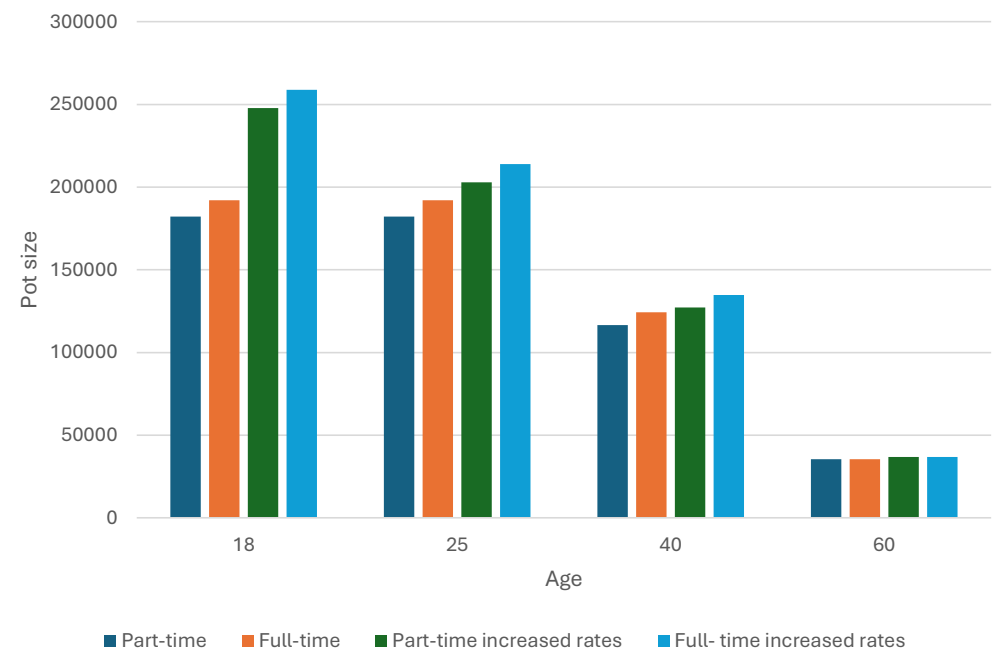


Impact on outcomes (2 of 3)

Projected DC pension pot at age 65 by age – lowering entry age and removing the LEL

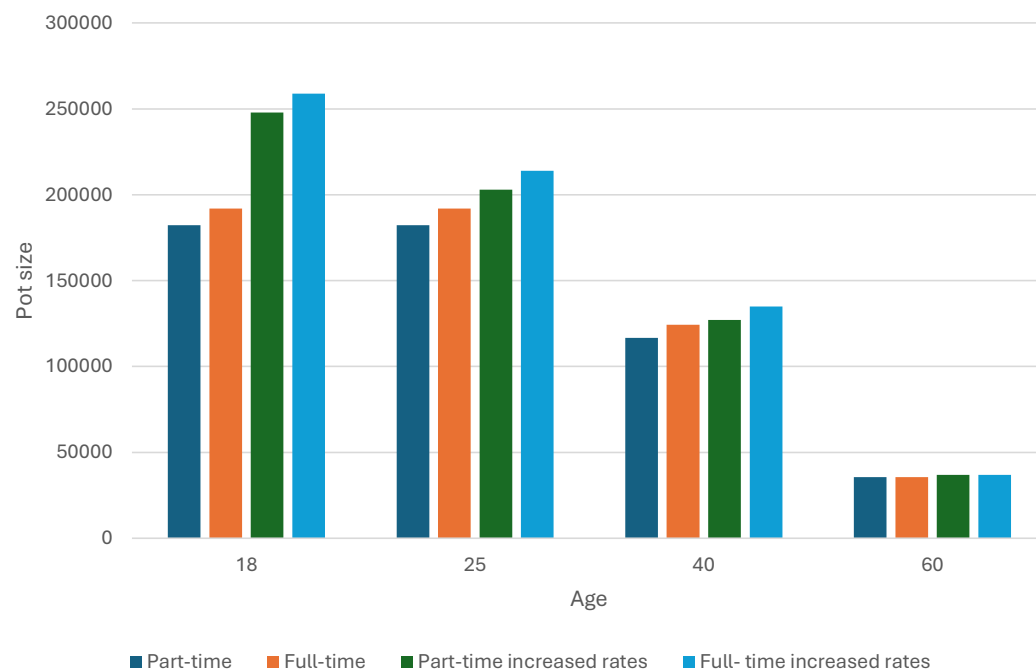


Projected DC pension pot at age 65 by age – lowering entry age and employer contributions paid from first £ of earning



Modelling outcomes (3 of 3)

Projected DC pension pot at age 65 by age -
paying an additional £30 a month from age 25



*Illustrative example based on monthly credit card interest of c.£30; actual amounts will vary.

Changing the model

Changing the model

The third and final theme is that, if higher contribution rates are not politically or economically realistic, the pension system should explore models that improve expected outcomes for the same cost. Two interventions are considered here: wider adoption of CDC and reform of the State Pension.



Collective Defined Contribution (CDC)

The shift from Defined Benefit ('DB') to DC has led to lower overall levels of saving. As highlighted earlier in this report and in the findings from the Commission, at current contribution levels, many members are unlikely to achieve retirement adequacy. If contributions are not to be raised, the money already being invested must work harder.

CDC is one of the most important structural innovations now under discussion in the UK. By pooling investment and longevity risk across the whole membership, CDC has the potential to deliver higher average retirement outcomes and a more predictable income than individual DC pots, without shifting risk back to employers.

Material improvements could be achieved across all modelled personas, with the largest gains being felt for younger members given their longer time horizon to retirement. Our modelling suggests a younger member's expected retirement income could rise from around £8,300 per year in pure DC to around £12,600 in a whole-of-life CDC design before taking account of State Pension income. The sooner whole-life CDC becomes widespread, the sooner all employers and current workforces can access the opportunity this brings to target higher retirement outcomes.

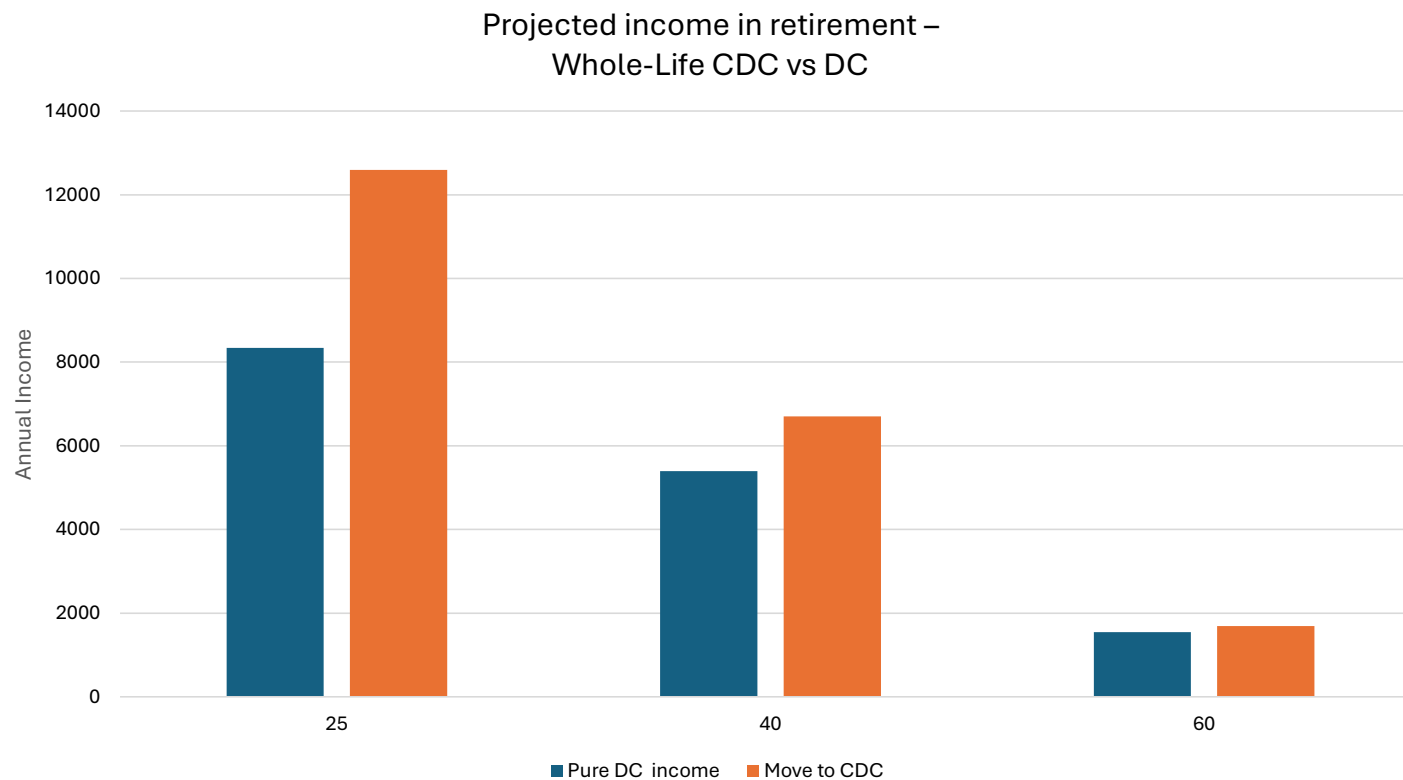
Evidence

International experience suggests that collective risk-sharing can be delivered in a number of ways. Examples highlighted in the contribution include:

- 01 The Netherlands, where contributions are set in advance, assets are invested collectively and benefits can move up or down with funding experience
- 02 Parts of Canada, where target benefit or shared-risk designs provide fixed contribution rates with adjustable target pensions
- 03 Denmark, where labour-market pension schemes operate collective occupational arrangements with pooled assets and lifelong income

The main implementation challenge is scale. CDC regulations are in place for single-employer schemes, with multi-employer regulations taking effect from 31 July and draft regulations for Retirement CDC expected to be published for consultation in Autumn 2026.

Impact on outcomes



State Pension reform

The current full new State Pension is below the minimum Retirement Living Standard, while at the same time the system may over-provide for some households who also have meaningful private provision. We also note fiscal pressure, citing the Government Actuary's review of the National Insurance Fund as shown to the right and the question of whether the current design is sustainable over the long-term.

Evidence

International examples include Canada's Guaranteed Income Supplement and Iceland's blend of a basic pension with income-tested supplements. These models show that it is possible to combine a clear baseline entitlement with targeted additional support.

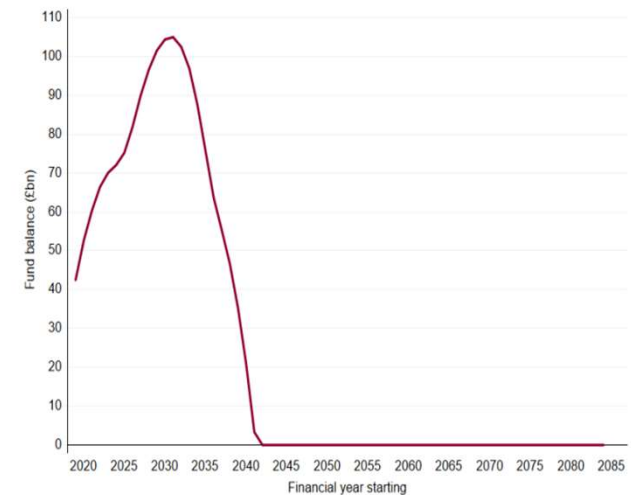
Recommendation

We recommend a different State Pension model built around two components:

1. A basic universal pension linked to qualifying National Insurance years, and
2. A means-tested supplement designed to bridge the gap to a minimum income standard.

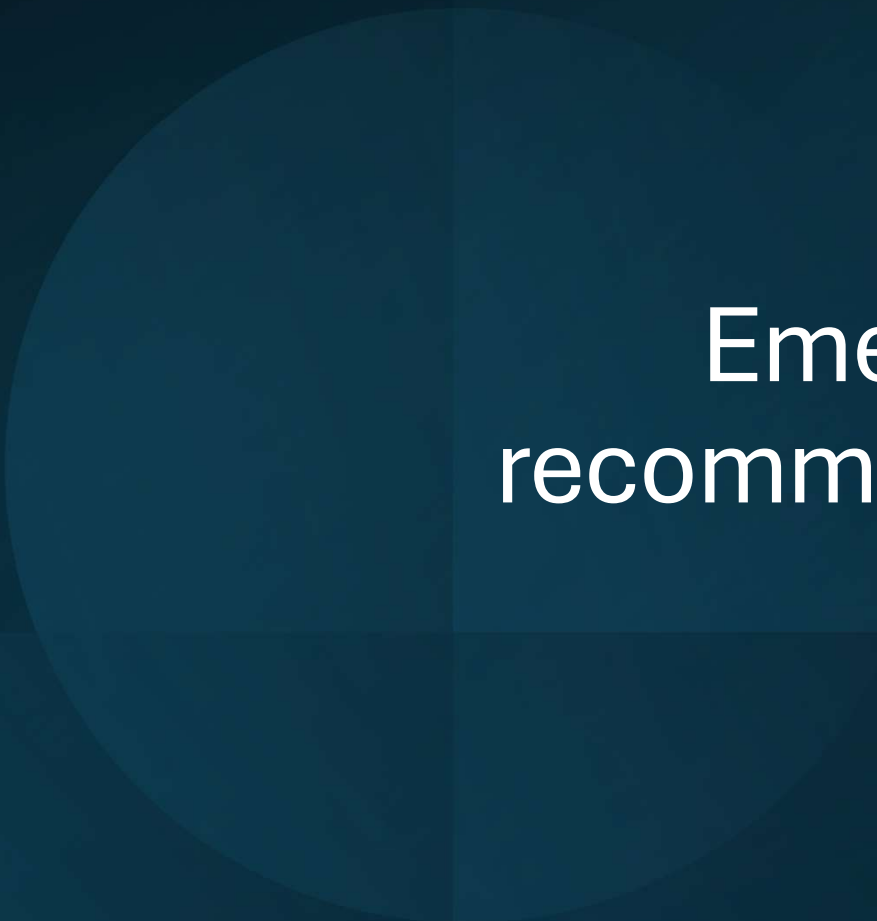
In this model, the basic universal pension would provide a foundation for all members with means-tested support targeted at those most in need. In adopting this model, the basic pension could be set at a lower rate than today's; allowing additional resources to be more effectively targeted towards individuals with limited private retirement provision.

One further consideration is that, if the combined basic pension and supplement were explicitly designed to meet a minimum income standard, there could be a case for removing the triple lock once in payment and instead indexing increases to the higher of CPI and average earnings. Any reform of this scale would need clear communication and lengthy transition, potentially with around ten years' notice and protection for accrued entitlements under the current system.



Projected National Insurance Fund Balance





Emerging recommendations

Key recommendations

The Working Group has identified six key recommendations:

01

Build a more stable pensions tax framework

Create a simpler and more predictable tax system to strengthen confidence in long-term saving.

02

Improve engagement through targeted education and digital support

Use personalised communications, digital tools and targeted guidance to help people make better retirement saving decisions.

03

Use inertia more effectively through sidecar savings

Introduce workplace emergency savings arrangements with AE style set-ups to improve financial resilience.

04

Extend automatic enrolment

Increase pension participation and retirement adequacy by lowering the enrolment age and reviewing earnings thresholds.

05

Support CDC as a mainstream retirement model

Enable and incentivise wider adoption of CDC to improve retirement adequacy

06

Reform the State Pension

Consider a model combining a universal foundation pension with targeted support focused on those most reliant on State provision.

The Working Group's conclusion is that improving retirement adequacy will require many reforms spanning trust and engagement, behavioural interventions and structural change. The interaction between these measures, together with effective implementation and communication, is likely to be as important as any individual policy intervention.



Appendix A – Financial education and digital engagement references

Appendix A – Education, digital tools and targeted support

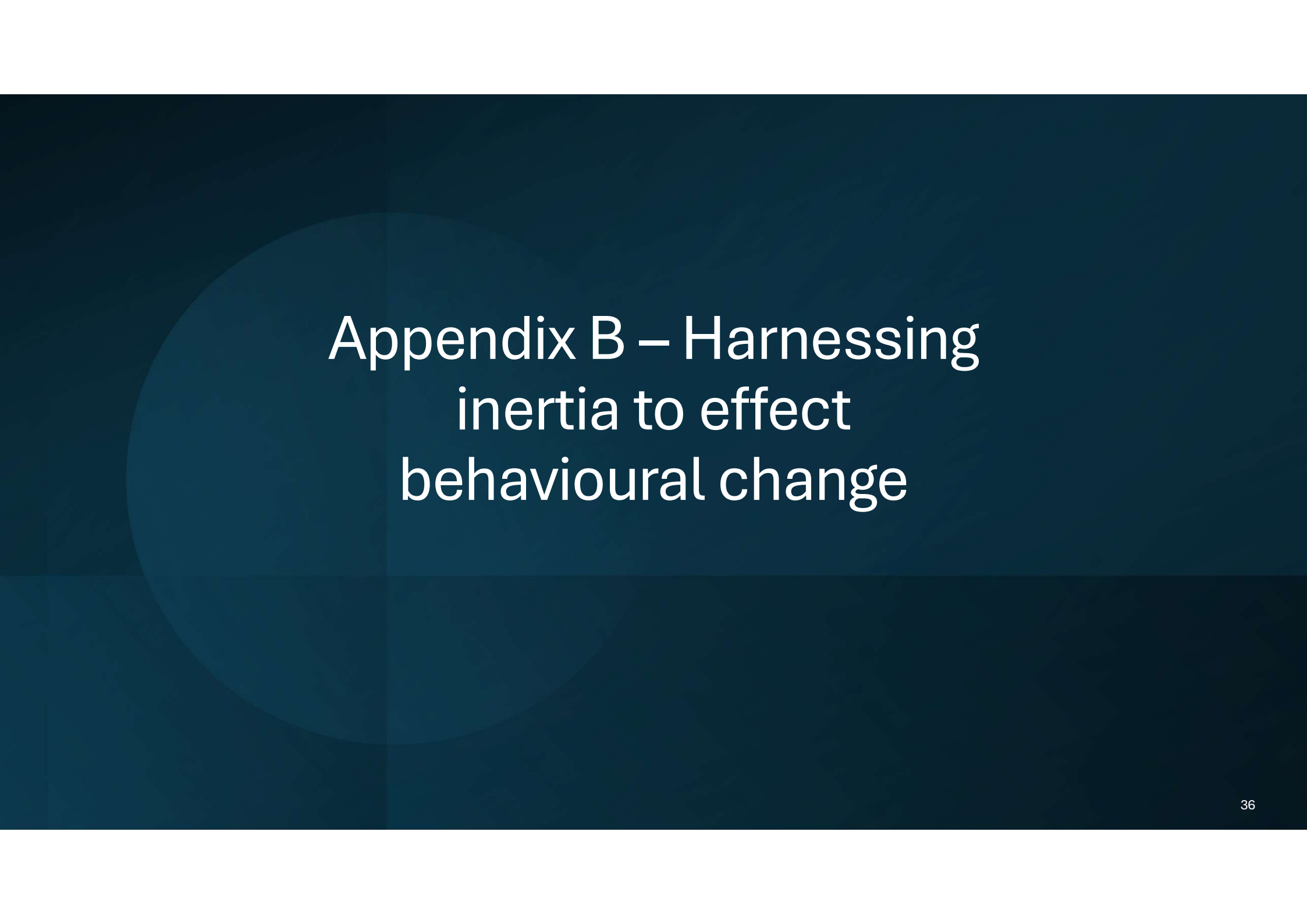
(1 of 2)

Theme	Relevant findings	Source	Link
Digital channel use and vulnerability	Financial Lives shows that adults in vulnerable circumstances, lower-paid groups and older age bands are less likely to use digital channels as their main way of interacting with financial services and more likely to rely on phone or post - overlapping strongly with under-pensioned groups.	FCA - Financial Lives 2022: Understanding the financial lives of UK adults	https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults-financial-lives-2022-survey
Digital exclusion by age, disability and income	Internet use data shows that non-use and lapsed use of the internet are concentrated among older adults, people with disabilities or long-term health conditions and some lower socio-economic groups - demographics closely aligned with many under-pensioned segments.	ONS - Internet users, UK	https://www.ons.gov.uk/businessindustryandtrade/internetindustry/datasets/internetusers
Managing finances online	Internet access bulletins show that a large majority of internet users manage their finances or use online banking, but uptake is lower among older, lower-paid workers and some disabled groups.	ONS - Internet access: households and individuals, Great Britain	https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage
Digital banking adoption overall	UK Payment Markets reports that a very high proportion of UK adults use online and/or mobile banking, with mobile apps now the most frequently used banking channel.	UK Finance - UK Payment Markets	https://www.ukfinance.org.uk/data-and-research/publications/uk-payment-markets

Appendix A – Education, digital tools and targeted support

(2 of 2)

Theme	Relevant findings	Source	Link
Digital users vs non-digital users	Financial Lives evidence indicates that consumers using digital channels for banking tend to report higher convenience and perceived control, while non-digital users are more likely to feel constrained and rely on fewer product types.	FCA - Financial Lives 2022	https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults-financial-lives-2022-survey
Tech and money management for lower incomes	Open Banking and fintech impact reports suggest that budgeting and saving apps are widely used by younger and lower- to middle-income customers, with features such as spending categorisation, alerts and savings pots helping users manage tight budgets.	Open Banking Limited - reports and impact studies	https://www.openbanking.org.uk/reports/
Under-pensioned groups - pension wealth gaps	Wealth and Assets Survey evidence shows large gaps in private pension wealth by income, employment status, gender and other characteristics.	ONS - Wealth in Great Britain / Wealth and Assets Survey	https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave6/latest
Under-saving and retirement adequacy	PLSA Hitting the Target estimates that a substantial share of working-age people are not on track for retirement adequacy, with particular concern about lower-paid workers and those with interrupted careers.	PLSA - Hitting the Target	https://www.plsa.co.uk/Policy-and-Research/Document-library/Hitting-the-Target



Appendix B – Harnessing inertia to effect behavioural change

Appendix B – Supporting financial resilience: Sidecar savings

Theme	Year / release	Source	Link
Opt-out rates	2022	Nest Insight: Easier to Save	https://www.inclusivemoney.org.uk/wp-content/uploads/2025/03/Easier-to-Save.pdf

Appendix C – Changing the model

Appendix C – Collective Defined Contribution (CDC)

Area	Assumptions	
CDC	The approach in this interim working paper relies on simplified assumptions to support high-level analysis only, not to be used or interpreted beyond the summary of the potential value members may expect to see in moving to whole-life CDC accumulation over DC during their working lives. CDC investment strategy is 80% Equities + 20% Corporate Bonds (for all ages) Benefits are single-life (i.e. no spouse pension) At the start of the projection, CDC membership has equal number of members at each integer age between 20 and 64 (all members assumed to retire at 65) Every retiring member at age 65 is replaced by a member at age 20 earning the same salary Base table: 100% SP4xA Improvements: CMI 2004, A-parameter 0.25%, Long-term rate of 1.5% pa for males and 0.25% pa for females and core half life	
DC	All members assumed to retire at age 65. Investment returns for an individual age 18 and 25 are real returns of 4% pa through accumulation and for a 40 year old are 3% pa real and a 60 year old 1% pa real. Employees base case pay AE rate (8% today). Employees who are 40 and 60 are assumed to have joined AE in 2012 for accumulated pensions until date of report. Salary growth is assumed to be in line with inflation For conversion of pot to DC income, we have assumed drawdown. - Pot remains invested and earns 1% pa real returns. - Income assumed to increase annually in line with inflation. - Pot is assumed to have been exhausted age 90.	
International evidence	Source	Link
CDC	Hymans Robertson, CDC – The Complete Picture, October 2025, pp. 19–21	https://cms.hymans.co.uk/media/fbohdqsh/cdc-the-complete-picture.pdf

Appendix C – State Pension Reform

Theme	Source	Link
Latest State Pension rates	GOV.UK, <i>The new State Pension</i> .	https://www.gov.uk/new-state-pension
Retirement Living Standards references	Pensions UK (2026), Retirement Living Standards, updated June 2026	https://www.retirementlivingstandards.org.uk/#tell-me-more
Government Actuary National Insurance Fund material	Government Actuary's Department, Quinquennial Review of the National Insurance Fund as at April 2020 (March 2022).	https://assets.publishing.service.gov.uk/media/62331075e90e070a53f689b0/QR_2020_Report_17_Mar_2022.pdf
Canada and Iceland comparisons	Government of Canada, <i>Public pensions</i>	https://www.canada.ca/en/services/benefits/publicpensions.html
	Social Insurance Administration (Iceland), <i>Old Age Pension</i> .	https://island.is/en/o/social-insurance-administration/pension

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