Financial wellbeing briefing, Q3 2026
Shining a light on pensions adequacy

In this briefing, we discuss the recent Pensions Commission interim report – *Pensions 2050: evidence and future priorities* – on the state of retirement saving in the UK.

The Commission has been asked to consider how the UK pension system can deliver adequate retirement incomes in the face of an ageing population, changing patterns of work and increasing reliance on Defined Contribution (DC) pension saving.

At the centre of the report is **a clear warning that Britain is not saving enough for retirement** and that individuals increasingly face complex decisions, with limited understanding of the choices available when approaching retirement.

Millions of people are under-saving

A headline finding from the report is that around 4 in 10 working-age people (approximately 15 million) are not saving enough for retirement. In addition, around 45% of working-age people – roughly 18 million individuals – are not saving into a pension at all, despite nearly half of them being in paid work.

The potential consequences of such a significant proportion of the UK population either under-saving or not saving at all cannot be ignored. Individuals risk being unable to achieve a satisfactory standard of living in later life, potentially undermining their financial security and dignity in retirement. This uncertainty can create ongoing anxiety throughout an individual's working life, as concerns about future finances persist.

From an employer perspective, there may be additional implications. Workforce productivity and efficiency could be affected if employees delay retirement due to inadequate savings. This may also limit career progression opportunities for younger talent, and create longer-term workforce planning and retention challenges.

Limited understanding of choices at retirement

Other striking findings highlight the way individuals access their pension savings.

Around 30% of private DC pension pots are accessed at the earliest opportunity, with approximately half withdrawn in full at that stage. This behaviour suggests that many individuals may not fully appreciate the long-term implications of their decisions.

44% did not know what an annuity was and 27% have never heard of income drawdown. This lack of understanding can lead to poor decision-making, which may irrevocably impact quality of life in retirement.

Education and support in this area can play a vital role in improving understanding of retirement choices. They can empower individuals to make decisions that align with their personal circumstances and long-term objectives.

Even members of Defined Benefit (DB) schemes can find themselves bewildered in the face of complicated options to choose from when approaching retirement.

Expert guidance and simple ongoing education, for people with all types of pensions, can be a real game-changer. It gives them improved understanding of the different choices available and supports them in deciding the right route for their circumstances.

Unequal pension wealth

A major focus of the report is the unequal distribution of pension wealth across the population, highlighting concerns for women, carers, disabled people and low earners, among others.

Structural barriers continue to prevent many groups from building adequate retirement savings.

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Women, for example, continue to accumulate significantly less pension wealth than men, largely due to career breaks, part-time working and caring responsibilities. This is reflected in the gender pension gap, which stands at 48% for women in the 55–59 age bracket in 2020 to 2022, according to the Department for Work and Pensions.

While the gender pay gap reflects earnings today, the gender pensions gap reveals realities over the entire working life to date. We expect the gender pensions gap to improve, but given it is a historical statistic, it's going to take a long time for there to be a material change.

What can we do?

The interim report does not make final policy recommendations, but it signals areas where change should be considered. These include

- Pensions adequacy
- Widening access to pension saving
- Addressing inequalities in retirement outcomes
- Improving support for individuals navigating retirement decisions.

The Commission's final report is planned for publication in spring 2027. While we await its recommendations, we recommend that employers look at their pension strategy, workforce demographics, and the effectiveness of their retirement communications and support arrangements.

For employers, the message is clear. Workplace pensions will remain central to delivering good retirement outcomes.

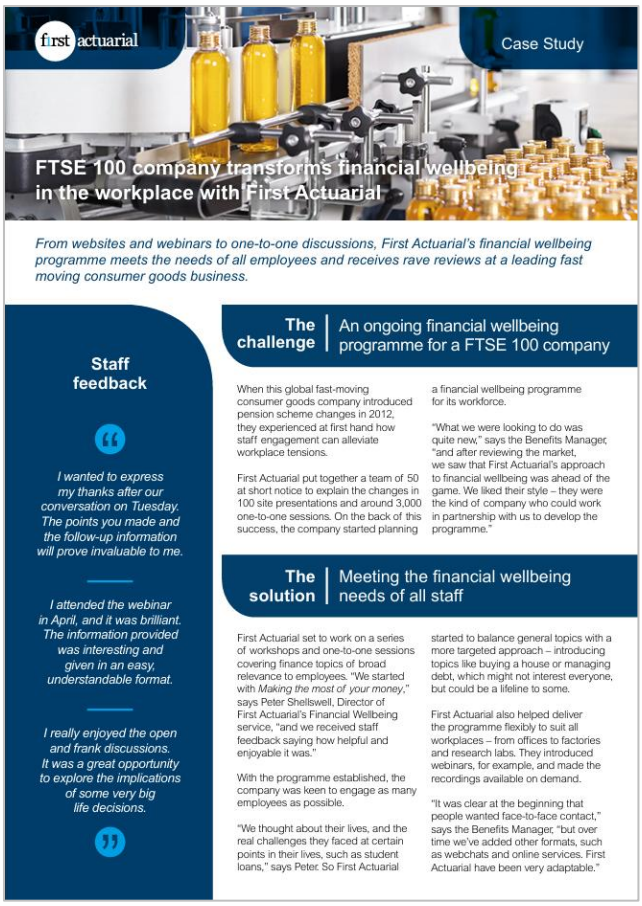
Simply meeting minimum legislative requirements may not be sufficient to meet future employee needs.

Offering a high-quality pension scheme, alongside financial wellbeing support throughout employees' working lives, can help attract and retain talent, improve employee engagement and wellbeing, and support workforce planning. Together, these measures could play a critical role in bringing about the changes highlighted in Pensions 2050.

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