

# PENSION SCHEMES BILL COMMITTEE

Call for evidence, response from Hargreaves  
Lansdown, August 2025

# OVERVIEW

*Hargreaves Lansdown is the leading direct to consumer platform, we look after £157bn on behalf of 1.9 million clients. In addition, our Workplace Pension is used by over 500 employers, with over £8bn in assets. Our scheme goes well beyond a traditional workplace pension scheme. As a Group SIPP (GSIPP) it offers members the opportunity to invest in a vast range of funds and securities offered on our platform. Workplace clients have the same client experience as our retail investor clients and are able to see their pension savings alongside other investments, for example investments in a stocks and shares ISA, as well as cash savings options on our savings platform.*

*In addition to a wide range of choice our scheme focuses on member engagement. We produce an engagement dashboard for each employer showing how their employees are engaging, which we benchmark against others using our GSIPP scheme. We work with employers to boost these scores. As a result, we currently see 52% of clients paying in more than the minimum, 20% invest outside of the default (compared to around 5% elsewhere) and 68% are registered to view their online account. This demonstrates how a retail investment culture can be developed.*

When considering the drafting of the Pension Schemes Bill we call on members of the Bill Committee to consider key issues which will shape retirement outcomes for people saving into DC pension schemes:

- **Maintaining competitive pressures and choice in the delivery of better pension schemes to members whilst building consolidation.** Under the current approach each provider is required to have at least one Main Scale Default Arrangement (MSDA) that meets the £25bn scale by 2030. HL believes that this policy aim can be reached faster and equally as effectively by allowing providers (not necessarily linked to the same or to related service providers) to distribute common MSDAs, whilst developing innovative approaches to engaging scheme members and providing them with services of relevance for them. If this third party distribution is not allowed there will be a significant reduction in the number of providers, reducing competition, choice and engagement.
- **Providing routes to innovation:** the approach outlined above would reduce barriers to entry and allow new entrants to build scale in the market thereby continuing to challenge larger, existing providers with potentially better approaches for building retirement savings.
- **Building a retail investment culture with people's biggest investment - their pension.** The introduction of a lifetime pot is needed to allow people to take control of their savings if they want to. This will also help to stop the proliferation of small pots at source for those who move jobs regularly. This would also help to drive engagement, with people likely to find it easier to become more familiar with one platform.
- **Allowing personal circumstances to be taken into account when making retirement choices.** It is unclear from the provisions relating to default pension scheme benefits how this will interact with the existing retirement market. Personal factors, such as the need to leave a spousal income and medical conditions can have a significant

impact on levels of retirement income. A singular default risks leaving people worse off, and without the protection for loved ones they would want to put in place. The introduction of targeted support will make a significant impact in how people are supported through their retirement choices but the provisions in the Bill risk dampening the impact targeted support could have on engagement.

## COMMENTS ON CLAUSES

### **Section 38: 28B MSDA Approval: group personal pension scheme**

The drafting of s28B(4) (b) refers to “the total value of any assets held in funds of one or more qualifying group personal pension schemes” managed under a common investment strategy. This would allow for a scheme to distribute a MSDA managed by a third party, as long as the MSDA met the scale requirement.

We would welcome the positive clarification of this section, as we understand that our interpretation may not be the intention. We also note that 28B(8) refers to the need for a relevant Master Trust and a GPP to be “provided by the same service provider”. The language is also used in s28A (5). We note that there is not a definition of “service provider” within the Bill and that there are not provisions to amend this clause by regulation.

We note that there is interest from potential providers of MSDAs to distribute them through third party platforms, and believe this should be explicitly allowed for within the Bill to encourage a route to scale for innovative platforms.

Issues of governance could be managed through current arrangements. Independent Governance Committees and pensions trustees have a shared duty to seek out value from their investment strategies. If a MSDA was not deemed to be performing for scheme members or failed a value for money assessment an alternative MSDA (of appropriate scale) could be sought and substituted.

We urge the Bill Committee to give this issue due consideration.

### **Section 38: 28E New entrant pathway relief**

We welcome the recognition that after a period of consolidation the pensions market could still require some innovation, and so a new entrant pathway relief has been created within the Bill.

However, this section provides little detail on the meaning of “the ability to innovate” and how “strong potential for growth” will be measured.

We also note that the pensions market might benefit from current innovators. Rather than asking them to seek a new authorisation, we ask that the committee seeks that this provision is entitled as “innovative scheme pathway relief”. This coupled with allowance to distribute third party MSDAs will boost UK pensions provision.

Targeted support and the pensions dashboard will allow for a transformation in how schemes can engage with their scheme members. HL believes that it is essential that the Pension Schemes Bill provides a credible route to support innovation. If we tie the pensions market up by restricting it to a handful of large providers, focused on back book integration and building scale, there will be less space for innovation aimed at pension member

engagement. You only have to look to the banking sector to see how more engaging interfaces, developed by challenger banks, have positively pushed innovation by the larger providers overtime.

### **New clause: lifetime pension pots**

The Bill misses an opportunity by not introducing a Lifetime Pot type product. We would welcome consideration by the Committee of how a lifetime pension could be introduced. A single pot would simplify someone's pension investments, bringing transparency and clarity, which would boost people's understanding that their pension is invested. For those who move jobs frequently a single pension pot would be invaluable.

In Australia consumers can "staple" to their first chosen pension provider so that it follows the individual from job to job. This helps to reduce the administrative burden on individuals and the number of small pots that exist, which can reduce costs for consumers and help with overall consolidation in the market.

With the rise of Defined Contribution schemes generations of people working within the private sector are becoming ever more reliant on investment returns for their retirement so it is essential to build a better understanding of investment.

A workplace pension is often the first place where consumers take investment risk and tends to be people's largest asset, yet only 36% of people know that their pension is invested. Allowing people to choose their lifetime pot provider creates an opportunity to drive engagement at an early stage. It also simplifies the administration for consumers, allowing them to manage their investments for retirement in one place.

This choice, is an essential safeguard to ensure that people are able to choose the most suitable scheme for them, rather than generic models which suit a mass market but not individual needs. This also mitigates some of the challenges of the pensions market which is intermediated by employers with different drivers for scheme choice.

Our data shows that consumers do want to make choices beyond the default - 20% of our workplace pension customers choose to hold assets outside of the default. We believe that all consumers should have the choice and that this could be done through the SIPP wrapper. Combining the lifetime pot with an annual touch point to drive engagement could also help to significantly drive the investment culture, boost returns and increase contributions.

This pot should be seen, from the start, as an investment product which is why we'd propose calling it a Retirement Investment Account. This would put us in line with countries which have more of an investing culture like the USA, where people tend to talk about their IRA or 401K, rather than a pension which people can misunderstand as providing a guaranteed replacement income or something that is in the distant future rather than an investment to be managed now.

### **Chapter 5, Default Pension Benefit Solutions, s50 Corresponding provision in relation to FCA-regulated schemes**

The Bill seeks to make a significant intervention into the retirement market and to extend the provision for trust based schemes to FCA regulated schemes. This latter provision has not been subject to any formal consultation.

There is common concern about the retirement market and the harms we are seeking to address:

- People not accessing pots at retirement and living on less income than they could.
- People cashing out small pots when they could benefit from consolidation and an income.
- People drawing down on pensions at too fast a rate, leaving longevity risk being born by the state.

We note that the introduction of targeted support has the potential for a significant impact in addressing these harms in the FCA regulated space.

We ask that in consideration of this section, members of the Committee consider when best to introduce a more mandated retirement solution. At this stage it is not clear how exactly a 'default pension benefit solution' will operate. However, given the individual nature of retirement choices, HL would strongly advise that this provision is seen as a backstop, when other forms of engagement have failed.

**s42 (4) (b)** talks about "the circumstances of different eligible members of the scheme (for example the normal pension ages of such members or the value or expected value of their money purchase benefits under the scheme);" but does not explicitly mention personal factors, such as the need leave a spousal income and medical conditions, which can have a significant impact on levels of retirement income. In addition how inflation risk is managed will be an important consideration. A singular default risks leaving people worse off, and without the protection for loved ones they would want to put in place, compared to other options that are available for the individual.

The creation of "default pension benefit solutions" therefore needs to be carried out carefully, with a full consideration of how best to drive the good consumer outcomes FCA regulated firms are required to seek out, under the provisions of the consumer duty.