Pensions Policy Institute

Pension Schemes Bill – Public Bill Committee: Written Evidence Submission

Introduction

1.1 The Pensions Policy Institute (PPI) is an educational research charity, providing non-political, independent comment and analysis on UK pensions policy and retirement income provision for over 20 years. Our aim is to improve information and understanding about pensions policy and retirement income provision through research and analysis, discussion, and publication. The PPI does not lobby for any particular solution, and we are not a think-tank taking politically influenced views.

1.2 We are grateful to the Committee for the opportunity to provide written evidence. Our submission focuses on Clauses 10-40, 42-50 and 101.

1.3 This response aims to help inform debate around the Bill as it passes through Parliament, providing our most relevant research findings pertaining to the proposed legislation. It does not contain amendments or policy recommendations.

1.4 Should the Committee require any further information, please contact:

- Chris Curry, Director, PPI: chris@pensionspolicyinstitute.org.uk
- Sam Eccles, External Relations Officer, PPI: sam@pensionspolicyinstitute.org.uk

Part 2, Chapter 1: Value for Money, Clauses 10-19

2.1. Clause 11 provides for regulations to mandate public disclosure of VfM data metrics. It enables regulations to set out the information trustees and managers will be required to publish or share. This will create consistent, transparent and comparable VfM data across those schemes and arrangements covered by the regulations[1].

2.2. **In the Oral Evidence session to the Work and Pensions Select Committee on Wednesday the 14th of May, 2025, Chris Curry, Director at the PPI, said when asked whether the industry is equipped to implement the value-for-money framework[2]:**

- Transparency is important in what you do on value for money, but it is only helpful if people can make any decisions or take action based on value for money.
- While the proposed framework is helpful in moving on from focusing solely on cost, the real test will be in presenting the VfM information in a way that can be understood and is useful.
- International experience suggests that a major challenge in measuring net returns is getting the time period right over which you measure them. Pensions are long term assets and short term returns are not always a good guide to long term outcomes.

2.3. **In the aforementioned Oral Evidence session, Chris Curry, Director at the PPI, observed when asked about whether the Australian 'league table' pensions model would be useful for the UK market[3]:**

- It can be, but it depends what your objective is. In the Australian system, there are lots of similarities in the superfunds; it is a superfund market. There was quite a big disparity in returns coming through from those that are run as not for profit and those that are retail, and there were systematic differences there. They have tried to remove that volatility. They are making the returns much more consistent across the different providers. That is a positive outcome, and it is one thing that you could do.
- One of the challenges is that you can find yourself at the bottom of the league table for short periods—two, three years even—even if in the longer term, it would have produced a better outcome for your members.
- In the current employer market, through automatic enrolment, it is the employer that chooses the scheme that individuals are enrolled in. As we heard, and there is plenty of evidence about it, that is generally based on cost. Value for money replacing cost would probably give better outcomes for members.

2.4. **On Wednesday 14 May 2025, The PPI published the first in a series of reports examining what an assessment of Value for Money (VfM) could look like in the**

[1] Pension Schemes Bill, Explanatory Notes, 2025 (p.16)
[2] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q15)
[3] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q16)

decumulation stage of retirement[4]. The report, sponsored by The Pensions Regulator (TPR), authored by Mariana Garcia Requejo, Senior Policy Researcher at the PPI, found:

A changing retirement landscape requires new forms of saver support

2.5. Pension Freedoms have introduced greater flexibility in how savers access their DC pots, but there is a lack of consensus around whether this has translated into favourable outcomes across all saver segments. Most savers now favour drawdown or cash withdrawals over annuities. However, behavioural trends suggest that many access their savings at unsustainable rates or without long-term planning, which may impact their later-life outcomes. These decisions often reflect immediate financial pressures, tax incentives, or the perceived simplicity of "cashing out", rather than being part of a well-informed income strategy.

2.6. A significant portion of savers (70%) fully withdraw their pension savings without professional advice or tailored guidance, with this behaviour especially common amongst those with smaller pots. Despite their increased vulnerability to poor outcomes, many overlook key risks such as inflation or longevity, highlighting the need for better support structures . While currently more prevalent among savers with small pots, these actions are likely to pose greater risks as average DC balances increase, amplifying the long-term impact of uninformed decisions. Although future savers are expected to have larger pots as a result of automatic enrolment, it cannot be assumed that their behaviours will mirror those of today's larger-pot savers. Current FCA data shows that today's larger pots are more often accessed through drawdown and annuities, but future savers may not necessarily follow the same patterns.

Support provided through default decumulation structures remain underdeveloped

2.7. Unlike in accumulation, where automatic enrolment and default investment strategies guide most savers, the decumulation phase lacks consistent defaults. Many schemes, particularly trust-based ones, do not offer in-scheme retirement income options, leaving members to make complex decisions independently or transfer to retail products. In the absence of structured support, two informal 'defaults' have emerged: full cash withdrawals, and remaining in accumulation strategies post-retirement without re-evaluating investment needs.

2.8. Stakeholders consistently highlighted the need for well-designed, simple, and accessible decumulation defaults that can support those less likely to engage. A potential structure for defaults is a blended approach that combines existing products over time, for example, starting with flexible drawdown and later transitioning into a more stable income (e.g. annuity), later in life. This blended approach seeks to balance flexibility with security, aligning with how many savers' needs and preferences evolve over time. However, implementing such models will require careful design to account for the diversity of saver circumstances, and to provide appropriate off-ramps for those who wish to make more active decisions. In spite of these defaults not necessarily being "fit for all", they provide an effective fallback that helps avoid negative outcomes for those less likely to engage.

[4] Pensions Policy Institute, Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM, 2025

Uncertainties around the advice/guidance boundary continue to limit tailored support

2.9. Providers are reluctant to offer more personalised communications or behavioural nudges due to fear of crossing into regulated advice. This leaves many savers navigating retirement without enough context or support to make informed choices. Services like Pension Wise help to some extent, but are not widely used, particularly by those who may benefit most. Meanwhile, financial advice is often perceived as inaccessible, especially for those with smaller pots. These concerns were echoed by stakeholders interviewed, who highlighted the fact that structures in the pensions landscape do not sufficiently support decision-making in the decumulation stage of retirement.

2.10. Proposals such as the Financial Conduct Authority's (FCA) Targeted Support and the Department for Work and Pensions'(DWP) guided retirement pathways could help bridge this gap, enabling schemes to provide better structured suggestions without overstepping regulatory boundaries. However, interpretation and implementation by providers has been inconsistent so far, and it remains too early to evaluate the overall impact of these changes, or determine whether they will be sufficient. Further clarity is also needed on the scope and application of these reforms.

Data gaps and market fragmentation hinder a market-level understanding of savers' needs

2.11. There is a lack of detailed data on how savers use multiple pots or how they manage their income throughout retirement. Most existing data is reported at the pot level rather than the individual level, obscuring the broader picture. Trust-based schemes, in particular, often do not track post-retirement outcomes. These gaps make it difficult to assess potential for VfM or to design targeted policies that improve long-term outcomes.

2.12. Ongoing reforms and changes, such as the upcoming Pensions Bill, offer an opportunity to build a stronger evidence base through reduced fragmentation, improved transparency and enhanced data collection. Stakeholders as a whole agree that more detailed data integrated across organisations will be important in understanding saver behaviour and improving outcomes in retirement.

Innovation is emerging, but coordinated action within the market is needed to build momentum and deliver for all savers

2.13. Innovation in the retirement income market is advancing, with new tools and product structures beginning to offer more tailored support to savers. Master trusts, providers and industry experts are exploring options like bucket strategies, default decumulation solutions and combinations of flexible and guaranteed income to better reflect how savers' needs evolve over time. Digital platforms are also making retirement planning more accessible through digital modelling, engaging educational content, and prompts.

2.14. Beyond consumer-facing tools, developments in data collection, integration, and AI are creating opportunities for providers to better understand the needs and risks faced by different saver segments, and tailor services accordingly. However, innovation alone will not be sufficient. There is a need for more coordinated effort across government, regulators, providers, and employers to ensure that emerging solutions are designed and implemented with saver outcomes at the centre.

Part 2, Chapter 2: Consolidation of Small Dormant Pension Pots, Clauses 20-37

3.1. Clause 20 creates an overarching power for the Secretary of State to make regulations to implement the small dormant pension pots measure and defines the pension pots that will be eligible for automatic consolidation under the measure[5].

3.2. **In the Oral Evidence session to the Work and Pensions Select Committee on Wednesday the 14th of May, 2025[6], Chris Curry, Director at the PPI, said when asked about the potential difficulties will be when it comes to implementing the consolidation of small pots:**

- There is potential to improve outcomes through the consolidation of small pots. Small pots are more likely to be lost. If people have a number of different pots, it is harder for them to find them. But there is also an industry cost attached to administering small pots.
- If we can make it more efficient for the providers to administer them, hopefully those savings can be passed on to the individuals. The challenge is that lost and small pots are often combined, so there has to be a solution that does not rely on individuals doing it for themselves.
- Pensions dashboards will enable individuals to find lost pensions, but relies on individuals taking the first step by going to a dashboard, and further steps in choosing to consolidate and where. Automatic solutions have much more potential to lead to quicker consolidation.
- However, data quality will be an issue, and will need to be better even than for pensions dashboards.

3.3. **Responding to the government's call for evidence in 2023 on the challenge of deferred small pots, the PPI submitted its response, with the following findings[7]:**

Relevant conclusions from the PPI report "Policy options for tackling the growing number of deferred members with small pots"

3.4. The two automated consolidation options discussed in the call for evidence, namely the default consolidator and pot-follows-member models were compared in this PPI report and the benefits and potential drawbacks of both were outlined. The following conclusions were derived from this analysis:

3.5. Member charges often erode small, deferred member pots over time and small pots can be uneconomic for providers to manage. Extra management costs may eventually be passed on to members through increased charges. Financial instability in master trust schemes, arising from too many small pots, could, in extreme circumstances result in trustees triggering an event to wind up the scheme. The number of deferred pension pots in the UK Defined Contribution (DC) master trust market is likely to rise from 8 million in 2020 to around 27

[5] Pension Schemes Bill, Explanatory Notes, 2025 (p.19)
[6] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q26)
[7] Pensions Policy Institute, Addressing the challenge of deferred small pots: a call for evidence, 2023

million in 2035. To effectively reduce the number of small, deferred pots, large scale policies will need to be introduced alongside more streamlined, uniform systems for payroll and pot transfers.

3.6. Increases in cost efficiency will result in greater reductions in costs for providers. Investment and administrative costs vary between providers based on many factors. While both models have the potential to reduce the aggregate level of provider costs, by reducing the number of pots which need to be administered, those who already pay lower than average costs will experience greater savings from each policy, and those who pay more will experience less. Under an assumption that provider admin costs are +/- 25%, of the baseline assumption (£19pa for an active pot and £13pa for a deferred pot), greater cost efficiency could result in annual master trust provider costs of around £640m per year under pot follows member and around £630m under the lifetime provider policy. With a starting level of higher than average costs, master trust provider cost savings could be less significant, with a total annual provider cost of around £840m per year under pot follows member and around £800m under the lifetime provider policy. As part of moves towards streamlining transfers and managing contributions, industry may want to explore ways of improving cost efficiency, particularly for providers who outsource their management to third parties.

3.7. Both models reduce the number of deferred pots, the charges that members pay, and the costs paid by providers, to some degree. However, they cannot be judged solely on their economic impact. Both models involve trade-offs and some present potential market difficulties such as giving particular schemes a competitive advantage or encouraging “cherry picking” of members who appear most profitable. The default consolidation model would also involve significant restructuring of the regulatory framework governing pension schemes.

3.8. An approach that combines aspects of several interventions, including the use of dashboards and increased member engagement, could help reduce small pots without giving undue advantage or disadvantage to any particular scheme or member. It is worth industry and policymakers reflecting on an approach that highlights the potential benefits attached to both models but contains functionality which reduces the potential for disadvantages. In order to successfully deliver a policy to reduce the number of small pots, a degree of consensus among consumer and employer representatives, industry, Government and regulators (all affected parties) will be necessary, and therefore all these groups should be included in the decision-making process.

3.9. Policy makers will need to consider the trade-offs for employers, members and providers involved in each policy. While the default consolidation and pot follows-member models reduce the number of deferred pots, member charges and provider costs, they also have potential market drawbacks attached such as significant systemic change (default consolidation) or placing an increased burden on provider and employer administration (pot follows member).

Relevant conclusions from the PPI report “How have other countries dealt with small, deferred member pension pots?”

3.10. The PPI conducted three in-depth case studies on Australia, Ireland and the USA, and eight country profiles on Belgium, Chile, Denmark, Israel, Mexico, New Zealand, Norway and Sweden in order to understand what these countries could teach the UK about dealing with small, deferred member pots. The following conclusions are derived from these studies:

- Without unique identification numbers for members, centralised transfer and consolidation systems are less effective.
- Systems of transfer and consolidation are easier for employers to comply with when there is a large central platform, or several connected platforms.
- Unified data standards help to ensure a less costly and speedier transfer system.
- Default consolidators are a useful adjunct to a pot follows member or lifetime provider system, in order to pick up smaller pots which may not be covered.
- Pot follows member significantly reduces the number of small, deferred pots, however, pension providers will need to cover the transfer costs.
- Dashboards complement existing policies, increase the availability of information to members, and reduce the likelihood of lost pots.
- Lifetime providers are an effective way of consolidating pots and reducing transfer costs and administrative fees borne by members, but also require significant infrastructure adjustments and may result in loss of business for some schemes which provide a competitive service to members.
- Refunding small pots directly to members is likely to reduce future retirement incomes and predominantly impacts women, ethnic minorities and lower earners.

Part 2, Chapter 3: Scale and Asset Allocation, Clauses 38-40 & Part 5, Clause 101

4.1. Clause 38 of the bill would introduce new conditions for defined contribution pension schemes (referred to as money purchase schemes) to qualify for use under automatic enrolment:

- a scale condition
- an asset allocation condition

4.2. These conditions would apply to Master Trusts and group personal pension schemes, and relate to both the scale of assets under management and how assets in default funds are allocated. Some schemes, such as CDC, faith based, or employer-specific schemes could be exempted through regulations. To meet the scale condition, schemes would need to have at least £25 billion in assets across qualifying schemes that share a common investment strategy by 2030.

4.3. If schemes fail to qualify, they will continue to be permitted a qualifying scheme if they meet certain criteria, including having a minimum total value of assets of £10bn, having a robust and deliverable plan to grow their MSDA so it reaches a minimum size, not less than the amount of £25 billion in assets by 2035 and meeting appropriate investment capability requirements.

4.4. The asset allocation condition could require a minimum proportion of default fund assets to be invested in “qualifying assets,” likely to include private markets and UK growth assets. This asset allocation power would be time limited: the Secretary of State would not be able to raise the minimum percentage after 31 December 2035. This has been referred to as “mandation” in debate surrounding the policy.[8][9][10]

4.5. **In the Oral Evidence session to the Work and Pensions Select Committee on Wednesday the 14th of May, 2025, Chris Curry, Director at the PPI, said when asked about the government’s role in driving consolidation and scale in the pensions market[11]:**

- Consolidation has been either an implicit or explicit aim of many policies in recent years. However, by international standards, the UK market will still be fragmented because of its diversity: trust-based DC, contract-based DC, public sector DB (unfunded and funded) and private sector DB.
- When we are making comparisons with what happens overseas, there is generally much less fragmentation, and are a much more single market. Consolidation is important, but the focus for the Government at the moment is much more on scale in parts of the UK pension system rather than necessarily just consolidation.

---

[8] House of Commons Library, Research Briefing, Pension Schemes Bill 2024-25, 2025
[9] Pension Schemes Bill, Explanatory Notes, 2025 (p.36)
[10] Pension Schemes Bill (as introduced), 2025 (p.98)
[11] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q14)

4.6. **In the same Oral Evidence session to the Work and Pensions Select Committee, Chris Curry, Director at the PPI, said when asked about 'mandation'[12]:**

- Mandation can be very blunt, it can be very inflexible, and you have to watch out for unintended consequences. It is important to understand those potential consequences.
- There are definitional challenges in determining what assets fall within the asset classes required for mandation.
- Market movements can also result in falling outside of requirements, and lead to suboptimal asset re-allocation over a short space of time.
- These can be similar to the consequences seen recently as a result of LDI, where movements in interest rates caused significant problems.

4.7. **On Wednesday the 4th June 2025, the PPI launched the 2025 report in the Pension Scheme Assets annual series[13]. The report, sponsored by Phoenix Group and Royal London, authored Jackie Wells, Research Associate at the PPI, found:**

Total pension assets grow by 11% to £3.2 trillion

4.8. The PPI estimates the total value of UK pensions in late 2024 at approximately £3.2 trillion (up 11% from £2.9 trillion in 2023). Analysis of the data reveals a gradual shift in the UK pension landscape towards DC pensions. However, there is also movement between sectors, most notably funds used by members in workplace DC to buy an annuity, effectively move assets from DC to DB (since annuities have more of the characteristics of DB than DC) and, in some cases, from workplace to individual DC plans such as SIPPs at retirement.

Of the £3.2 trillion, more than half invested in productive assets on widest definition

4.9. Looked at a different way, between 10% and 60% of all pension funds are invested in productive finance depending on the definition with between 6% and 20% invested in UK productive finance.

4.10. On a narrow definition of private equity, property and other alternatives, public sector DB is the most heavily invested at over 20% (almost half in the UK) with annuities the least invested (although this is largely an issue of classification of assets). DC has around 3% invested this way, almost all of which is invested in the UK.

4.11. Overall, 10% of total funds are invested in this way with 60% of this invested in the UK.

4.12. Looked at through a much wider definition of productive finance that includes listed equities and corporate bonds, the proportions are much higher. Public sector DB and DC funds have almost 80% invested in this way, dropping to 40% in private sector DB. Annuities are the most heavily invested in the UK with more than 85% of productive assets invested in the UK. Public sector DB and DC invest around 26% of their productive assets in the UK while private sector DB invests 40% in the UK.

---

[12] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q20-21)

[13] Pensions Policy Institute, Pension Scheme Assets – How is Asset Allocation Changing and Why?, 2025

4.13. Overall, 60% of total funds are invested productively on this definition with one third of those assets invested in the UK.

Government consultations not yet feeding through into asset allocation data

4.14. The UK pension sector has been likened to a huge super tanker which changes course slowly. While it is clear that the Government's desire for greater investment in UK productive assets has been heard and is, to varying extents, being acted upon, the data do not yet reveal a significant shift. The reasons for this include:

- The shift from public to private assets requires asset owners to recruit and invest in new capabilities to research and manage different asset classes.
- In general, shifts in strategy do not tend to be executed rapidly in order to minimise transaction costs.
- A rapid shift to private markets with high up-front costs could lead to accentuated fears of intergenerational unfairness in DC arrangements.
- A rapid flood of money transferring to private markets would have a negative impact on returns.
- Closed private sector DB schemes appear unlikely to move away from a buy-out strategy.
- While master trusts and providers have signed up to the Mansion House compacts, the allocations committed reflect only their growth accumulation funds. As schemes begin to mature, the later stages of accumulation and decumulation become a more important part of the assets. Private market assets are unlikely to feature in those parts of the portfolio.
- The changes to VfM will take several years to feed through to data that shapes how and where employers place their scheme.
- Changes to LGPS will take time to settle. It may yet take several years before the effect of the reforms shows up clearly in data.

It's all about the pipeline and planning

4.15. Schemes and providers have all called for greater certainty over the pipeline of investment opportunities and see a role for Government in supporting this. We reported last year that respondents were keen to see greater clarity in the Government's industrial and climate strategies, and this remained the case this year. Schemes and providers see important roles for the National Wealth Fund in mobilising investment.

4.16. One of the consistent themes coming out of the interviews conducted for this project was the cry for a loosening of planning regulations as an important precursor to greater investment in UK infrastructure, energy transition and both commercial and residential property.

4.17. There remains hope that unblocking planning restrictions will open up new opportunities for investment. At present, opportunities for investment in the UK are considered by some to be in short supply or heavily concentrated. Allied to concerns about planning are calls for clearer and coherent government industrial and energy strategies.

Calls for changes in regulations and providing incentives

4.18. A range of policy and regulatory changes have been put forward as helping support the Government reforms. These include:

- Provide policy and regulatory certainty – having stable and long term policies for both the pension sector and for investment in the UK would give schemes greater confidence in making investment decisions.
- Initiatives such as the National Wealth Fund, proposals for Long-term Investment for Technology & Science (LIFTS) and the British Growth Partnership are all seen as positive moves to encourage and facilitate investment in the UK.
- Reviewing investment regulations to remove or reduce limitations. Both trust- and contract-based regulations are felt to inhibit investment in private markets. The 2004 occupational pension investment regulations limit investment in illiquids, a limit that some respondents felt needed to be examined again. Similarly, the FCA permitted links continue to be quoted as a limitation on contract-based arrangements.
- Fiscal incentives for UK investment. Several commentators, including the Pensions UK (formerly PLSA), have called for the Government to provide incentives for pension schemes to invest more domestically. Comparisons are drawn with the Australian tax benefits offered for investment in domestic shares or the US tax advantages for investment in social housing.
- Proposals for 100% PPF cover. The previous Government consulted on proposals for PPF to offer 100% cover for members of DB pensions entering the PPF. This is considered to be a way of helping trustees support employer access to the scheme's surplus. While there has not been universal support for the proposal and at the time of writing, this reform seemed unlikely to be taken forward, some stakeholders continue to see this as a key to unlocking surplus. Fully securing benefits could also serve to reassure DB scheme members who, research suggests, are opposed to employers accessing surplus from the scheme.

Will the Government achieve its aim of encouraging greater support for UK growth?

4.19. In summary, we should expect to see the following shifts in asset allocation in the next few years, but progress will generally be slow:

- LGPS (and possibly other public sector DB schemes) can be expected, based on their stated intentions, to invest more heavily in infrastructure, particularly renewable energy, and other private markets, mainly at the expense of listed equities. Local or regional social impact investments may also attract more investment if suitable opportunities that meet return targets are made available. Overall, the asset mix may also see a greater emphasis on cashflow supporting assets as schemes begin to mature and become cashflow negative. Progress will be limited in the short term by the complex transition to full pooling and the new pool responsibilities over the next year.
- Workplace DC can be expected, given the commitment of many to the Mansion House Compact and Accord, to increase their allocation within growth default funds to private markets, particularly private equity. Once again, progress will be gradual as schemes seek to maintain strong performance and avoid the effects of the J-curve

of returns of private equity on returns. Changes will also be affected by the slow but inevitable maturing of many DC schemes, particularly master trusts. This will see more assets move into the pre- and post-retirement phases with reduced levels of risk and exposure to illiquid investments.

- The strong funding position of many private sector DB schemes, with 54% fully funded on a buy-out basis suggests that many such schemes will continue to focus on their endgame, which for many will be buy-out. This will see a transfer of assets to annuity providers which will result in a shift away from government bonds to corporate bonds, infrastructure, commercial real estate and lifetime mortgages. One side effect of this change is that DB schemes are predicted to be net sellers of Gilts as they derisk and either buy in annuity cover or effect a buy-out. As annuity business grows as a proportion of all UK pension assets, their asset allocation will become more important to achieving growth and investment in private markets.

4.20. When looked at overall, the picture of asset allocation has many moving parts, complicated still further by different levels of return affecting the overall values of different assets. We can expect the sector to be in transition for many years to come as both the sectors and the members of schemes mature.

Part 2, Chapter 5: Default Pension Benefit Solutions, Clause 42-50

5.1 Clause 42 requires trustees or managers of relevant pension schemes to develop ways for relevant scheme members with money purchase benefits (i.e. defined contribution benefits) to receive their pension without the member having to make a choice about how they want to receive those benefits (referred to as the "default pension benefit solutions"). In this context, relevant pension schemes are occupational pension schemes (established under trust) which provide money purchase benefits and meet certain other definitions.[14]

5.2 **In the Oral Evidence session to the Work and Pensions Select Committee on Wednesday the 14th of May, 2025, Chris Curry, Director at the PPI, said when asked about whether default retirement solutions will improve outcomes for savers[15]:**

- A significant proportion of those people retiring — somewhere between two thirds and three quarters—of people are going through this process without any guidance, advice or help in what they are doing.
- There are two behavioural defaults: People cashing in their pension—so taking money out of the system completely; and people inadvertently going into drawdown because they are taking out their tax-free lump sum and leaving the rest invested, so by default it goes into a drawdown solution. Many people are not making active choices about what they do.
- The real challenge is that when you are building up your money, a default is quite obvious—everybody needs to put money into a pension—but when you are taking money out, the right approach is not always as clear-cut, and generally there is not a single right approach.

5.3 **In the said Oral Evidence session, Chris Curry, Director at the PPI, commented when asked about what a default retirement solution could look like[16]:**

- The challenge for providers is that they only know what the individual has with that provider. Many people have multiple pots when they get to retirement. Providing a default based on a single pot when actually they might have other pots elsewhere and other forms of saving, along with the role of the State Pension—all these things make it difficult for guidance to be done solely through the provider.
- Another challenge is whether people own their own home or not. An increasing number of people coming into retirement will still be in the rented sector, increasingly in the private rented sector, and they will have a different set of requirements from those who are homeowners.

---

[14] Pension Schemes Bill, Explanatory Notes, 2025 (p.39)
[15] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q22)
[16] Work and Pensions Committee Oral evidence: Investment in the UK economy and Pension Schemes Bill, 2025 (Q25)