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Call for Views Response

Which? response to the Pensions Commission's Call for Views

Submission date: 14/07/2026

Summary

- **We welcome the Pension Commission's Interim Report.** It provides a critical evidence base for the state of pensions adequacy in the UK and highlights urgent areas for concern in the current system.
- **We agree that the current automatic foundation is solid, but needs strengthening for the long term.** We support the four priority areas the Commission identifies for reform.
- **We agree that the metrics used to design and evaluate retirement adequacy need updating, and we support the transition toward a hybrid adequacy measure.** We consider that this could be further strengthened by developing measures that differentiate between home owners and renters, ground baseline measures in savers' lived realities, and more clearly differentiate between 'adequate' and 'aspirational' targets.
- **We strongly support the Commission's call to re-evaluate the balance between default and voluntary saving**. Auto enrolment works precisely because it is a default that requires no decision-making. To assume savers will make the active choice to contribute additional savings voluntarily goes against this foundational logic. The default system, comprising the State Pension and automatic workplace contributions, must therefore be set at a level that is sufficient for most people to secure a decent, adequate retirement income.
- **As the Commission begins to develop its final report, it should be bold and tackle the complex issues that have been highlighted head on and respond to consumers' realities by focusing on structural change.**
- **Which? makes five structural recommendations to address the identified issues with private pensions saving, coverage and decumulation**. These are:
    1. Set out a timetable to increase minimum contribution rates and remove the lower earnings limit, with additional measures to mitigate the impact on low earners.

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2. Remove the £10k trigger for automatic enrolment, in tandem with the recommendation above.
3. Establish the criteria that would trigger the lowering of the automatic enrolment age threshold from 22 to 18.
4. Create a minimal-friction pension solution for the self-employed.
5. Introduce hard default decumulation pathways, akin to automatic enrolment, at retirement.

Full response

We strongly welcome the Commission's Interim Report. It brings together a critical evidence base for reform, rightly highlighting the urgent issues within our pension system that must be addressed. Simply put, it's clearer than ever that more must be done to improve outcomes for people in retirement.

Part 1: Reflections on the Commission's findings on the core components of our pensions settlement

We agree that the current foundation, comprising a State Pension and Automatic Enrolment, is solid, but needs strengthening for the long term. To do this, we support the four core areas that the Commission has identified as priorities moving forward: improving private pension saving rates and coverage, preserving the state pension as a critical foundation, supporting people to lead longer working lives, and securing adequacy in decumulation.

We also agree with the Commission that the metrics used to design and evaluate retirement adequacy need updating, and we support the transition toward a hybrid adequacy measure. However we make further suggestions to how the Commission should develop adequacy measures:

- ***Differentiate between homeowners and renters.*** Adequacy measures must look different for these two groups. As we see more people rent into old age, the huge cost of rent will change what they need to live on compared to homeowners who have paid off a mortgage.
- ***Retirement income standards must reflect savers' realities.*** It is important that any minimum income standards are tested with relevant consumers and recalculated periodically to ensure they accurately reflect people's likely costs in retirement.
- ***Separate 'adequate' from 'aspirational' targets.*** The Commission should differentiate between the baseline someone needs (adequate), and what they would

like to have (aspirational) in retirement. This distinction is particularly relevant for middle-to-high earners, whose individual retirement goals and expectations can vary significantly.

We also strongly support the Commission's call to re-evaluate the balance between default and voluntary saving. The system's current assumption that automatic enrolment is a starting point, and that savers, especially low- and middle-income earners, will voluntarily save more to bridge the gap has not held. This is unsurprising. Automatic-enrolment has been so successful precisely because it is a default that requires zero decision-making. To then assume savers will make the active choice to contribute additional savings voluntarily goes against the foundational logic of the default system.

Consequently, voluntary saving should be treated as an aspirational bonus, not a structural necessity, to achieve an adequate retirement income. The default system itself - the State Pension combined with automatic workplace contributions - must ultimately be set at a level that is sufficient on its own to secure a decent, adequate retirement income for the majority of savers.

Part 2: Principles for the Commission to consider as it develops its final recommendations

To ensure any final recommendations can meaningfully strengthen the pension system, we urge the Commission to focus on the following principles.

Be bold in tackling the complex issues highlighted head on.

The Commission must maintain its momentum and not shy away from the complex challenges highlighted in the Interim Report. This is our only near-term opportunity to fix structural flaws in the UK pension system. We need the Commission to show strength in decision making and make recommendations that go beyond simply tinkering around the edges of the system. To have a lasting impact, the final recommendations must be as fundamental and reform-minded as those of the last Pensions Commission.

Respond to the realities of consumer behaviour by focusing on structural change.

Any proposed changes must be realistic about the expectations they will place on individuals. There is a huge 'say-do' gap when it comes to pensions. Most people know they should save more, but translating that knowledge into action is incredibly difficult. It is not that people do not care about their future; they simply do not have capacity to make the active, complex choices the system currently demands:

- ***Many households are struggling to get by as it is.*** In the month to June 2026, our Consumer Insight Tracker found that nearly one in eleven UK households (9.1%) reported missing a housing payment, bill, loan, or credit card payment. When forced to choose between competing financial priorities, the more urgent will always

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win out. As a result, pension saving will always be what falls away. As one respondent to another Which? survey on pension saving attitudes put it: "I have no spare money so it is what it is".

- ***A lack of cognitive bandwidth, not just a lack of expertise, prevents people from engaging.*** Which? research found that one in eight people would rather go to the dentist than spend an hour planning their retirement, and one in four would rather deep clean their bathroom. This shows that people find pension decisions complex and overwhelming.

These realities show us that making changes to information and guidance alone will not be sufficient to address the behaviours people demonstrate and to change the very real financial constraints they have. This will require structural reform. The system must be designed to deliver good outcomes for people by default.

Seek to build a broad consensus through engagement and testing.

To give these recommendations the best chance of becoming reality, we need buy-in from political parties, businesses, the pensions industry, civil society and consumers. The last Commission succeeded because it spent time building a shared consensus before releasing its final report. Despite this Commission's tighter timelines, we must still find ways to bring these groups along.

As a vital part of this journey, we strongly recommend that the Commission tests its proposed solutions with consumers before finalising them. This will help to ensure all final recommendations are grounded in real-world behaviour.

Part 3: Our key recommendations for structural reform

1. Set out a timetable to increase minimum contribution rates and remove the lower earnings limit, with additional measures to mitigate the impact on low earners.

The Interim Report rightly highlights that the UK is facing a widespread savings crisis at almost every income level. To address this, we are calling on the government to set out a clear timetable to:

- remove the Lower Earnings Limit (LEL), and
- increase minimum contribution levels across the board, and
- introduce additional measures to mitigate affordability concerns for low earners.

We recommend removing the lower earnings limit as it is estimated that this change could help six million people save more. It will particularly benefit low income earners for whom the lower earning limit makes up a significant proportion of their pension savings.The government has already passed the enabling legislation to remove the Lower Earnings Limit. It is now time to set out the timetable required to phase this in.

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However, removing the LEL alone will not solve the undersaving crisis outlined in the Interim Report. To achieve pension adequacy, it is clear we must also increase overall contribution rates to a level that puts most people on track for an adequate income in retirement.

Making these two changes will together ensure the default parts of our pension system are working as needed to give people the best likelihood of reaching an adequate retirement income.

Crucially, these changes will disproportionately benefit typically underpensioned groups, including women, carers and ethnic minorities. Individuals with these characteristics are more likely to be lower paid. As a result, the LEL and low contribution rates, currently restricts their effective savings rate to around 3%. By removing the LEL and increasing baseline rates, we can ensure low earners can finally save at the full automatic enrolment rate.

However, we recognise that different income groups face very different financial pressures in relation to saving:

- ***For middle earners,*** the primary challenge is long-term pension adequacy. They are simply not saving enough to maintain a reasonable standard of living in retirement.
- ***For low earners,*** the immediate challenge is short-term financial resilience. Forcing higher pension contributions on this group risks worsening day-to-day hardship and missed bills, as they often lack basic emergency savings.

Recognising the significant affordability risk of increasing minimum contributions for lower earners, it is crucial that the Commission introduces additional measures that specifically protect lower earners from day-to-day financial hardship due to the increases. One solution is to implement some form of sidecar savings model alongside the above changes. In doing this, employer contributions for low earners could continue to flow into a pension while employee contributions could instead flow into a liquid, emergency savings product, that could be capped at a certain level.

By implementing this dual approach - increasing saving rates for all with a measure to mitigate affordability risks for low earners - the government can maintain a simple, universal default system while safely building both the short-term resilience of lower earners and the long-term retirement security of all savers.

We do also recognise the affordability concerns to businesses of these changes. For this reason it is essential that the government sets out a phased timetable to introduce these changes, similar to previous minimum contribution increases under automatic enrolment, to give sufficient lead time to businesses and individuals to prepare.

2. Remove the £10k trigger for automatic enrolment, in tandem with recommendation 1 above.

The £10,000 trigger was originally designed to stop very low earners from being forced to save into a pension when they might need that money for immediate living costs. However, while well-intentioned, this rule now acts as a barrier that locks millions of workers out of workplace pension savings, and crucially, denies them the benefit of mandatory employer contributions. It's estimated that removing the £10k earnings trigger could bring an additional 1.6 million people into workplace pension saving.

The current threshold in particular penalises people who do not follow a traditional, full-time career path, such as part-time and multi-job workers. The trigger therefore also disproportionately excludes women, carers, and people with disabilities, who are much more likely to work part-time or reduce their hours due to life circumstances.

For these reasons, we are recommending the removal of the £10k trigger. However, recognising the negative impact this will have on the take home pay of lower earners, this change must only be made in unison with recommendation 1 above, which provides mitigation of the take home pay impacts for low income earners.

3. Establish the criteria that would trigger the lowering of the automatic enrolment age threshold from 22 to 18.

The government has already passed enabling legislation to lower the starting age for automatic enrolment from 22 to 18. This change would help young people start saving earlier, which could result in 910,000 young workers participating in a workplace pension and approximately £800 million more pension savings every year. However, it could also place additional financial pressure on a group already facing distinct economic challenges, such as high youth unemployment.

To date, the government has not committed to a timeline, stating instead that it will consider if and when to implement the change by balancing saver outcomes against the impact on businesses. It is now time for the government to clearly set out the criteria to be met for this change to be implemented. This criteria could include considerations such as:

- ***Youth employment stability:*** Current rates of youth unemployment (ages 18–21) and the projected impact that mandatory contributions might have on youth hiring.
- ***Baseline voluntary enrolment rates:*** The number of 18–21 year-olds currently choosing to opt in to a workplace scheme without a default mandate.
- ***Business cost environment:*** Recent changes to the National Minimum Wage and overall cost burdens on employers, particularly in sectors with high youth employment, such as retail and hospitality.

- ***Disposable income and youth debt:*** Broader indicators of financial health for this cohort, including student loan repayments, high rental costs, and the risk that automatic pension contributions might inadvertently push low-income young adults into high-cost short-term debt.

4. Create a minimal-friction pension solution for the self-employed.

The Interim Report highlights that the self-employed represent a significant and growing section of the UK economy, now making up around 13% of the total working population (approximately 4.57 million people). However, despite their economic importance, pensions policy has failed to keep pace with the rise of self-employment. While automatic enrolment has successfully driven employee pension participation up to roughly 80%, the self-employed have been left behind. As the Interim Report highlights, only 4% of those who rely solely on self-employment are actively saving into a pension. The proportion of self-employed people contributing to a pension increases at the higher rate tax threshold (above £50,271) to around 40%, but this is still significantly lower than employee pension participation. This has created a vast and dangerous savings gap between employees and those who work for themselves.

It would be unfair to say that the self-employed savings crisis is caused by a lack of financial awareness. Research consistently shows that the self-employed want to save for their later years, but find the existing products and infrastructure unsuited to their needs. Without an employer to automatically set up a pension and handle payroll deductions, the process relies entirely on active consumer engagement. For a busy sole trader, finding a provider, navigating confusing industry jargon, and setting up manual contributions is daunting, complex, and easily deprioritised. Essentially, the current system treats pension saving as an administrative hurdle for the self-employed, rather than a seamless default.

The greatest asset of automatic enrolment is the power of inertia. For the self-employed, there is no payroll manager to create this inertia, so we must look at alternative default-style options. That is, if we can't default them into a pension, then we should strongly nudge the self-employed toward one and make the process as frictionless as possible.

To do this, these nudges should leverage existing touch points of engagement. For example, there may be opportunities to integrate prominent pension prompts and considerations directly into the annual HMRC Self-Assessment process, or to work with financial firms to integrate nudges into business banking products.

However, these nudges can only succeed if it is made easy and almost frictionless to set up and pay into a pension. While government action is needed to establish the regulatory framework to enable this, the commercial market must help to deliver the solutions by ensuring the right products are available. Newer digital personal pensions

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(such as those integrated into standard banking apps like Monzo) show that technology can help strip away this initial administrative friction.

In addition, to ensure self-employed workers continue paying into a pension, it must meet their unique needs. This means building in critical features such as:

- ***Flexible contribution models.*** Unlike traditional employees, the self-employed frequently deal with volatile, unpredictable incomes. Any pension solution designed for them must allow for flexible, fluctuating contributions that scale up in profitable months and drop down during quieter periods.
- ***Keeping everything as automatic as possible.*** Every active decision a saver has to make is an opportunity to opt out. When retirement saving requires constant, conscious choice, cognitive friction and decision fatigue inevitably set in, which may lead to savers opting out entirely. To combat this, pensions must minimise active decision making where possible. For the self-employed, this could look like implementing features that automatically scale contributions up or down in line with fluctuating monthly earnings.

5. Introduce hard default decumulation pathways, akin to automatic enrolment, at retirement.

The introduction of Pension Freedoms gave consumers much greater choice over how to use their retirement savings. However, this flexibility has come with a heavy trade-off. By dismantling the requirement to buy an annuity, the system shifted all the risk onto the individual. On their 55th birthday, we now expect regular people to suddenly act like actuaries, leaving them entirely responsible for guessing their own life expectancy and managing complex investment risks.

We therefore strongly agree with the Commission that the current decumulation system expects an unreasonable level of engagement from savers. Worse than that, it demands an unrealistic degree of financial knowledge and expertise, especially when compared to the simple, automated system people experience while saving.

The reality is that most consumers are simply not equipped to make these complex choices. [Research by Which?](#) in May 2026 surveyed 2,000 UK adults on common pension terms and found a widespread lack of clarity among pre-retirees:

- **79%** were unclear about what an annuity is.
- **51%** did not know that 55 is the current age at which you can access a private pension.
- **54%** did not know they have the option to withdraw up to 25% of their pension as a tax-free lump sum.

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Pension Freedoms were designed on the assumption that market innovation would create competitive products balancing flexibility with long-term security. However, the market has failed to produce safe, accessible decumulation solutions, leaving savers entirely exposed to investment volatility and the risk of outliving their cash. We therefore cannot rely on market forces to protect retirees. Just as we brought in automatic enrolment because voluntary saving had failed, we must now ensure the system provides for a hard default at retirement to ensure savers secure a sustainable income for life.

The new guided retirement framework introduced by the Pension Schemes Act is a welcome foundation, but it must be designed to truly protect savers from poor outcomes. There is currently an active debate over whether guided retirement should rely on ‘soft’ or ‘hard’ defaults. We strongly recommend requiring providers to deliver a hard default - a strategy that requires the absolute minimum consumer engagement and decision-making to operate.

Like automatic enrolment during the saving phase, the goal of these retirement reforms is not to pursue a bespoke, ‘optimal’ outcome for every single individual. Instead, it is to provide structural protection against poor outcomes. If guided retirement relies on soft defaults, it will undermine this purpose by inevitably forcing a final choice onto the saver, likely triggering decision paralysis. A hard default overcomes this barrier entirely, leveraging the consumer's natural inertia to guide them automatically into a safe, ‘good enough’ retirement pathway.

About Which?

Which? is the UK’s consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We’re the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we’re not for profit and all for making consumers more powerful.

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July 2026