Improving pension savings: Automatic enrolment and beyond

November 2026

Cost of Living
The Pension Dimension

Cost of living is one of the biggest political, social and economic issues of the day. It has some important pensions dimensions, including the affordability of pension saving (competing with other financial pressures during working years) and the adequacy of pension benefits (to cover living costs in retirement). Our latest thought-leadership campaign is full of policy ideas to complement the work of the second pensions commission (the Commission) and help tackle the pension savings challenge.

The auto-enrolment reforms have transformed the pensions landscape. More people are now saving into pensions and there has been a significant shift to defined contribution (DC) saving. Inertia has played a powerful role in this trend and now consideration should be given as to how that model can be built upon to improve the adequacy of pensions provided by auto-enrolment vehicles.



Key proposals

- Link automatic enrolment with the defined contribution (DC) value for money framework; to be a qualifying automatic enrolment vehicle a DC pension scheme should have to achieve a green rating (after a suitable transition period) under the value for money framework. If the scheme does not offer value, there should be a specific employer obligation to select an alternative that does.
- Introduce a nationally recognised system of tiered minimum contribution rates to enable direct comparison and competitive pressure to encourage employers to raise pension contributions.
- Redesign automatic enrolment communications incorporating behavioural insight to encourage individual savings beyond the minimum and support greater member ownership of and engagement with DC funds.

Background

Recent data shows that current levels of pension savings will be inadequate for many people to enjoy a comfortable retirement. The Commission has identified that one-third of eligible private sector employees make pension contributions at automatic enrolment minimum levels, but there is a lack of awareness about the inadequacy of this savings level. The state pension is unlikely to fill the "pension savings gap", particularly following the government's recently announced intended move to an adjusted triple lock.

Despite a challenging economic environment for employers, there seems to be a general acceptance that employers' automatic enrolment obligations must increase, and the pool of those eligible should be widened, particularly encompassing lower earners and the self-employed. Despite powers already granted to the secretary of state to reduce the threshold age from 22 to 18 and remove the lower limit of the "qualifying earnings" band, these changes have yet to be made. Minimum contributions were last increased to 8% of earnings in April 2019, only 3% of which employers must contribute. Many studies indicate that 12% to 15% is needed: the Australian model requires a 12% employer contribution and could indicate the future direction of travel in the UK.

"The new state pension and automatic enrolment have ensured that the foundations of retirement income are stronger and more predictable than ever for a large number of people in the UK, yet the depth of those savings at present means that many are still at risk of not achieving a financially secure retirement – especially lower and middle earners. Differentials in workplace pension contributions, aspects of the automatic enrolment framework, and variations in charges and investment performance mean that many savers are still on track to fall short of the retirement outcomes they expect."

[Second pensions commission interim report]

Legal position

Currently, employers are required to facilitate automatic access (for those of their workers who meet specific age and earnings criteria) into a pension scheme that can accept members by auto-enrolment. Most workers are automatically enrolled into a DC scheme, which must have a default investment option.

Automatic enrolment is an employer duty; pension trustees have limited scope to take strategic action in relation to automatic enrolment as they are required to operate within their powers under the law and their pension scheme's rules. As employees are not required to take active decisions to join their scheme, member engagement to encourage adequate long-term savings can be an uphill battle.



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More details

The drive for scale reflected in The Pension Schemes Act 2026 will lead to the consolidation of many smaller DC schemes because of increasing regulatory requirements, including the value for money framework. The automatic enrolment quality standards do not currently reflect value requirements, but a closer link is likely to lead to better outcomes overall.

In selecting automatic enrolment vehicles, employers could be obliged only to direct minimum contributions into schemes that deliver value by objective standards, without necessarily paying more. Requiring employers to select a scheme with a green rating (after a suitable transition period), and to change providers where necessary, will mean that each automatic enrolment pound contributed will demonstrably achieve good value for money for members without greater cost, supporting stronger outcomes to improve pension adequacy. This could drive employers to consider switching to a different type of pension scheme, for future contributions and accrued member benefits, such as a master trust or "collective defined contribution" (CDC) arrangement. These highly regulated schemes can also offer savers a better customer experience and savings tools to support better engagement and more flexible saving options to help fill the pensions gap, as well as support the employer in planning for the expansion of automatic enrolment. This would be consistent with the government's scale and consolidation ambitions.

Coupled with value requirements, a more directly comparable tiered contribution structure of phased-in but increased minimum contribution rates (such as that proposed by the Society of Pensions Professionals) could help to raise public awareness that the current 8% minimum contributed through auto-enrolment is not enough. We are pleased that the Work and Pensions Committee issued a Call for Evidence in September 2026 looking at contribution rates and an appropriate timetable for any increases.

Alongside changing the current default arrangements by increasing minimum standards, automatic enrolment could also better facilitate helping people to take action themselves by using behavioural science to do so. The "easy option" that many adopt is the default. While that has been a major factor in the initial success of automatic enrolment, for the policy to enter a new phase a radical change in how pensions are communicated is needed to promote financial literacy and facilitate individual engagement with contribution levels at the times in their lives they have greater incentive to save for the future. Better-designed communications going above minimum compliance is needed, and employers should be supported by the regulatory regime to deliver this, particularly by providers offering excellent and cost-effective support to employers and members. The introduction of pensions dashboards will provide an ideal opportunity for trustees to inform members about their pension savings in a wider context, signposting key information and refreshing scheme communication channels. The incoming small pot consolidation requirements could also present an opportunity for a targeted push to trace or engage with deferred members about their pension rights (and the benefits of compounding returns through consolidation). It is important that there are appropriate safe harbour provisions for trustees to be proactive in how they engage with members.