

Three pillars of pensions in the UK and Ireland

Understanding the impact of reforms, market trends and demographic changes

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Overview of the pension system in the UK and Ireland

A pension is a regular income paid to an individual, typically after they have ceased full-time employment. At the most basic level, the objective of a pension is to avoid a situation where individuals are unable to cease work without falling into poverty.

In many countries, including the United Kingdom (UK) and Republic of Ireland (Ireland), the pension system has three layers or 'Pillars'¹:

- Pillar 1: State provision
- Pillar 2: Workplace provision
- Pillar 3: Private provision

All layers have an 'accumulation' phase during which contributions are paid in and entitlements built up. In some cases, these entitlements are backed by individually allocated funds, in others by pooled funds and in the typical case for Pillar 1 benefits, they can be unfunded, relying on future contribution inflows. When individuals retire, there is then a 'decumulation' phase during which benefits are accessed to provide a pension.

In this report, we consider how recent policy reforms, market trends, and demographic shifts are reshaping each of the three retirement pillars in both the UK and Ireland. We highlight the principal challenges, including coverage gaps, adequacy shortfalls, regulatory tightening, and an expanding advice deficit, whilst also identifying emerging opportunities for life insurers.

Executive summary

Although the three retirement pillars are conceptually similar in the UK and Ireland, reform trajectories and market dynamics differ meaningfully.

Demographics constitute the common strategic challenge. Within Pillar 1, in the UK, a combination of weak economic growth, an ageing population and generous benefit indexation is combining to drive up the cost of the New State Pension as a percentage of GDP. This is prompting incremental State Pension Age (SPA) increases and affordability debates. Ireland, which is by many measures the youngest country in the European Union (EU), faces a steep projected increase in the old age dependency ratio from 23% in 2023 to upwards of 55% in 2065. This is threatening the long-run sustainability of the Social Insurance Fund (SIF), which, in simple terms, is used to fund social welfare payments such as the State Pension, as pension expenditure alone is forecast to exceed contributions by 33% in 2065.

Within Pillar 2, both countries continue to transition from Defined Benefit (DB) to Defined Contribution (DC) provision. In the past, single-employer schemes dominated, but increasingly, funds are flowing to DC master trusts, which are multi-employer and offer the benefits of increased scale. In Ireland, almost all workplace pensions are DC now, particularly for new employees. Both countries have programmes of auto-enrolment through which individuals automatically join a workplace pension scheme unless they specifically opt out. The objective of these programmes is to widen the reach of Pillar 2 pension provision to those who may show little engagement and inclination to take action themselves. Auto-enrolment is much more mature in the UK, having

1. We might characterise a 4th Pillar of a holistic financial assessment in terms of assets outside the pensions space, such as non-pension savings, investments and property ownership. However, for the purpose of this paper, we have focused on the pensions arena.

been introduced in 2012. It has been successful in its initial aim of increasing Pillar 2 coverage of the working population, but the UK is now grappling with the challenges of contribution adequacy and poor economics arising from individuals having multiple, often small, pension pots. Ireland's auto-enrolment retirement savings scheme, called My Future Fund (MFF), commences in 2026 and is perhaps leveraging lessons learned from the UK, including higher target contributions (14% of eligible earnings compared to the UK's current 8%) and 'pot-follows-member' portability from day one to avoid a proliferation of small legacy pots as individuals move between employers.

Voluntary individual (Pillar 3) savings remain critical for eventual retirement adequacy, yet in both the UK and Ireland, participation outside higher-income cohorts remains thin, with median-income workers relying heavily on Pillar 2 and cash savings. Pillar 3 plays a potentially crucial role for the self-employed and acts as a top-up for those on higher incomes seeking to build on the basic provision of Pillars 1 and 2 to deliver a pension aligning more closely with their standard of living during working life.

Decumulation strategies have largely transitioned away from guaranteed, pooled solutions towards income drawdown. Under drawdown, accumulated funds remain invested. Typical approaches employ a mix of equity and fixed-income assets via collective vehicles, such as insurance funds, unit trusts or Open-ended Investment Companies (OEICs), with income provided through unit/share encashment. This provides great flexibility to tailor income to individual needs, but comes with the challenge for retirees of longevity, investment, and sequencing risk transferring to them. In the UK, the rise in gilt yields since 2022 has seen annuity volumes rebound modestly, yet drawdown remains the chosen approach for most DC retirees. In Ireland, drawdown in the form of Approved Retirement Funds (ARFs) out-sell individual annuities by roughly 10:1, reflecting perceived value, flexibility and estate-planning benefits.

In both the UK and Ireland, the availability of affordable, impartial financial advice lags well behind consumer needs. In the UK, fewer than 1-in-8 adults receive regulated advice, principally because average fee structures are prohibitive for median savers. Ireland faces a similar challenge, as well as potential commission-driven conflicts, uneven quality standards and a concentration of advice among higher-net-worth clients. Without scalable digital guidance (e.g., via pensions dashboards and simplified product defaults), both countries risk seeing many workers enter retirement with sub-optimal investment strategies, inefficient decumulation choices and ultimately lower lifetime incomes.

Therefore, the two countries share two key objectives:

1. Accumulation phase: Closing the gap between post- and pre-retirement income via higher contributions, improved returns on invested contributions,² and extended working lives.
2. Decumulation phase: Providing an effective framework through which individuals can strike a balance between flexibility to meet different retirement goals whilst managing the risks associated with those - in particular, market and longevity risks. Underpinning this is a need to improve member engagement and affordable access to guidance and advice to support better decision-making throughout retirement.

Life insurers are currently active in both Pillars 2 and 3, and the shifting policy environment is providing them with even more opportunity. In Pillar 2, auto-enrolment expansion in the UK favours insurers that can deliver end-to-end Master Trust or contract-based DC solutions, complete with default funds and ready-made decumulation pathways. The introduction of auto-enrolment in Ireland may create opportunities for insurers when those in the scheme reach retirement, with DC pots requiring decumulation solutions. In Pillar 3, the migration of Ireland's One Member Arrangements (OMAs) into Personal Retirement Savings Accounts (PRSAs) and renewed personal pension inflows following the UK Lifetime Allowance abolition open fresh opportunities for insured investment platforms, combined guaranteed income and drawdown products and potentially reinvigorating participating products to provide better retirement outcomes for individuals. By coupling these product innovations with digital guidance tools, insurers can help close the advice gap whilst capturing new premium and asset flows at the point of retirement choice.

2. We note the tension between return and risk. Absent a 'free lunch,' the pursuit of improved returns will expose individuals to some increase in risk with the result that, whilst hopefully, the majority will gain, some will lose.

Pension system Pillar 1: State provision, and the demographic and economic outlook

OVERVIEW

Both the UK and Ireland finance Pillar 1 retirement benefits on a pay-as-you-go basis, paying a flat-rate weekly pension once individuals reach SPA. The UK's New State Pension is available to nearly all residents who have accrued 35 qualifying years of National Insurance contributions or credits; it is not means-tested and cannot be transferred to a surviving spouse. Ireland's Contributory State Pension is likewise non-transferable and is payable to people who have previously been employed and contributed sufficient social insurance contributions, referred to as Pay Related Social Insurance (PRSI). Individuals who fall short of the PRSI threshold may instead receive a means-tested Non-Contributory Pension.

Benefit adequacy is similar but modest: the full UK pension replaces roughly 25%³ of average earnings, compared with approximately 29% in Ireland. The UK's guaranteed and generous 'Triple Lock' indexation, based annually on the higher of price inflation, average earnings growth or 2.5%, has gradually lifted this replacement ratio, though arguably from a low base, whereas uprating in the Irish State Pension is discretionary and generally aligned to price inflation.

Because neither system is pre-funded, long-term affordability relies on the old age dependency ratio, which is broadly the number of pensioners relative to working-age contributors. The UK is addressing demographic (and indexation) pressure by raising SPA from 66 to 67 between 2026 and 2028, with a further rise to 68 legislated but subject to review. Ireland's SPA remains at 66, though retirees may defer up to age 70 in exchange for higher weekly rates. Earlier proposals to raise SPA further were shelved after public opposition.

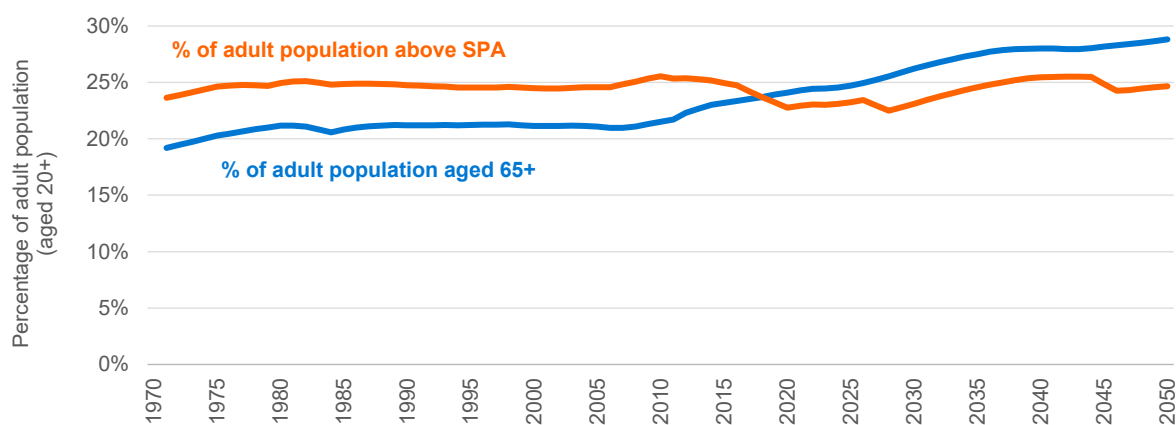
This comparison illustrates how similar pay-as-you-go designs in state provision confront common sustainability challenges, yet these diverge in indexation policy and political appetite for SPA increases. The specific landscape for Pillar 1 provisions in each jurisdiction is covered further below.

STATE PROVISION IN THE UK

A combination of weak economic growth, an ageing population and generous benefit indexation is combining to drive up the cost of the State Pension as a percentage of Gross Domestic Product (GDP).

Figure 1 uses Office for National Statistics (ONS) population data to show the percentage of the adult (aged 20+) population who are aged 65 and over, or aged above SPA, from 1971 to 2022 (estimates of the historical population) and to 2050 (projected).

FIGURE 1: HISTORICAL PROGRESSION OF THE PERCENTAGE OF ADULTS OVER AGE 65 AND OVER SPA IN THE UK



Source:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandnwalesscotlandandnorthernireland> and authors' own calculations

3. In the UK, a further data point relates to the National Living Wage, which provides a minimum hourly wage rate for people aged 21 and over. The replacement rate of the State Pension in relation to the NLW is c50% (the position for ROI is broadly similar at 56% of the national minimum wage), indicating that even at the bottom end of the earnings distribution, Pillar 1 benefits are not very generous.

The blue line clearly shows the impact of the ageing of the UK population.

The orange line illustrates the extent to which the impact of the ageing population has been mitigated via increases in the SPA⁴:

- From 65 to 66 in 2020
- From 66 to 67 planned for between 2026 and 2028
- From 67 to 68 planned for between 2044 and 2046

However, reviews of the SPA, the most recent being that led by Baroness Neville-Rolfe (2021–2023), have proposed an earlier increase to age 68 to stabilise, at 31%, the proportion of adult life expected to be spent above the SPA.⁵

Prior to 2018, the SPA for men was 65, whereas for women, this was historically set at 60 and was gradually increased and equalised with that of men between 2010 and 2018. The orange line (above SPA) is therefore above the blue line (65 and older) prior to 2018. Subsequent increases were then applied equally to both sexes.

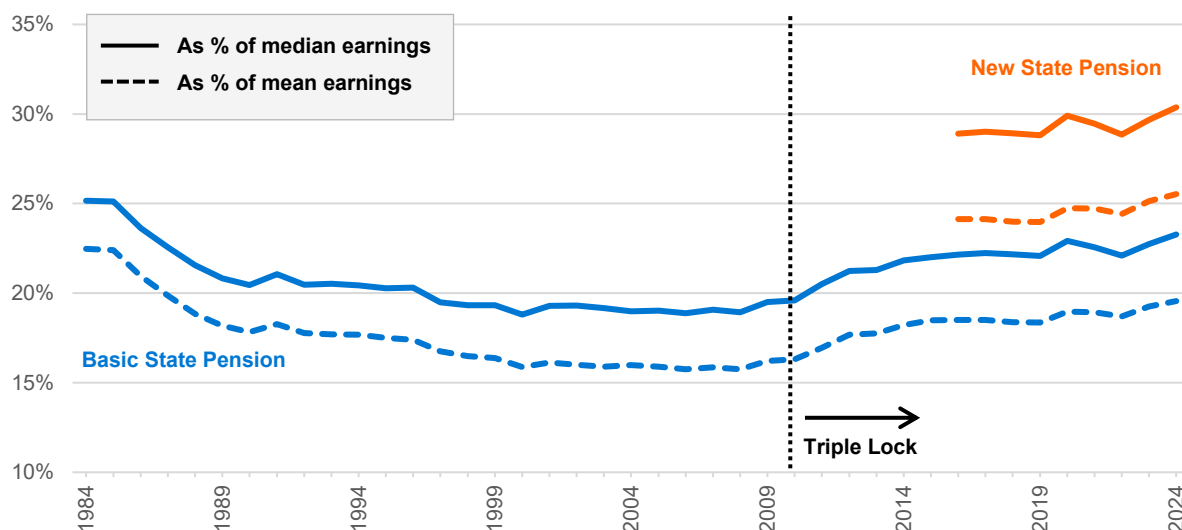
Since 2010, the UK State Pension has been increased using the 'Triple Lock' whereby pensions change annually by the greater of:

- Inflation as measured by the Consumer Prices Index (CPI)
- The change in National Average Earnings (NAE)
- 2.5%

If the aim of indexation is to maintain the purchasing power of the State Pension, changes in line with inflation make sense. On the other hand, an objective to maintain the living standards of pensioners in line with the working population implies indexation aligned with changes to NAE. A system that takes the higher of these results and also applies a 2.5% nominal underpin could therefore be characterised as generous, though the adequacy of the starting position is also an important factor to consider.

Figure 2 illustrates the benefit provided by the State Pension in relation to two measures of typical earnings.

FIGURE 2: HISTORICAL DEVELOPMENT OF UK STATE PENSION REPLACEMENT RATE



Source: <https://www.gov.uk/government/statistics/abstract-of-dwp-benefit-rate-statistics-2024> and authors' own calculations

4. House of Commons Library. (2023, April 6). State Pension age review. UK Parliament. <https://commonslibrary.parliament.uk/research-briefings/sn06546/>.

5. With 31% being the average experience of those reaching the male SPA between 1996 and 2020.

The impact of the Triple Lock in raising the effective replacement ratio of the State Pension is clear, though this has been from what is arguably a low base replacement ratio. The discontinuity to the New State Pension, seen in Figure 2 from April 2016, shows the move from the old two-tier system to the single flat-rate benefit in the UK today, which simplified entitlements and improved adequacy for groups previously disadvantaged (such as the self-employed and carers).

The cost of the State Pension has increased markedly from around 3.5% of GDP in the 1990s to around 5% of GDP now.⁶ However, the cost is expected to increase further in the years ahead despite increases in the SPA. The Office for Budgetary Responsibility projections of State Pension-related expenditure, as included in the State Pension Age Review 2023,⁷ forecast this to rise to around 8% of GDP by 2071–2072, based on the assumption that the SPA rises to 67 between 2026 and 2028, to 68 between 2037 and 2039 and to 69 between 2071 and 2073.

- In terms of public perception, a study using focus groups and interviews undertaken by The Policy Institute at King's College London in 2023 on behalf of Phoenix Insights and titled 'The Future of the State Pension' revealed⁸:
- Participants saw the State Pension as a backstop to provide a basic standard of living.
- But most participants had a poor understanding of how it works—eligibility, how much income they can expect, etc.
- Participants also expressed increasing concern about State Pension sustainability—rising life expectancy, ageing population and reduced trust in government.
- There was recognition of some inequality due, for example, to regional differences in the cost of living and life expectancy.
- Support for the continuation of the State Pension as a universal benefit. There was little support for means testing—expensive, open to error, unfair and may discourage personal saving, may also negate plans to save to provide a legacy for children.

STATE PROVISION IN IRELAND

Ireland is by many measures the youngest country in the EU, with Eurostat population structure figures⁹ pointing to a higher proportion of people aged 0 to 14, a lower proportion of people aged 65 and over, and a lower median age than EU peers. In particular, in 2024:

- The proportion of total population aged 65 and over was around 15.5% in Ireland, compared with around 21.6% across the EU
- The median age was just under 40 in Ireland, compared with around 45 across the EU

Although this suggests the demographic challenge around pension provision present in the UK and in other EU peers may be less acute in Ireland, the outlook for Ireland points to an ageing population and a very material increase in the old age dependency ratio (the proportion of those aged 65 and over to the working population aged 15 to 64). Under central migration and fertility assumptions, the old age dependency ratio is expected to rise from a level of 23.1% in 2022 to a projected level of 55.2% in 2065.¹⁰

6. Office for Budget Responsibility. (2023, November). Welfare spending: Pensioner benefits. <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/welfare-spending-pensioner-benefits/>.

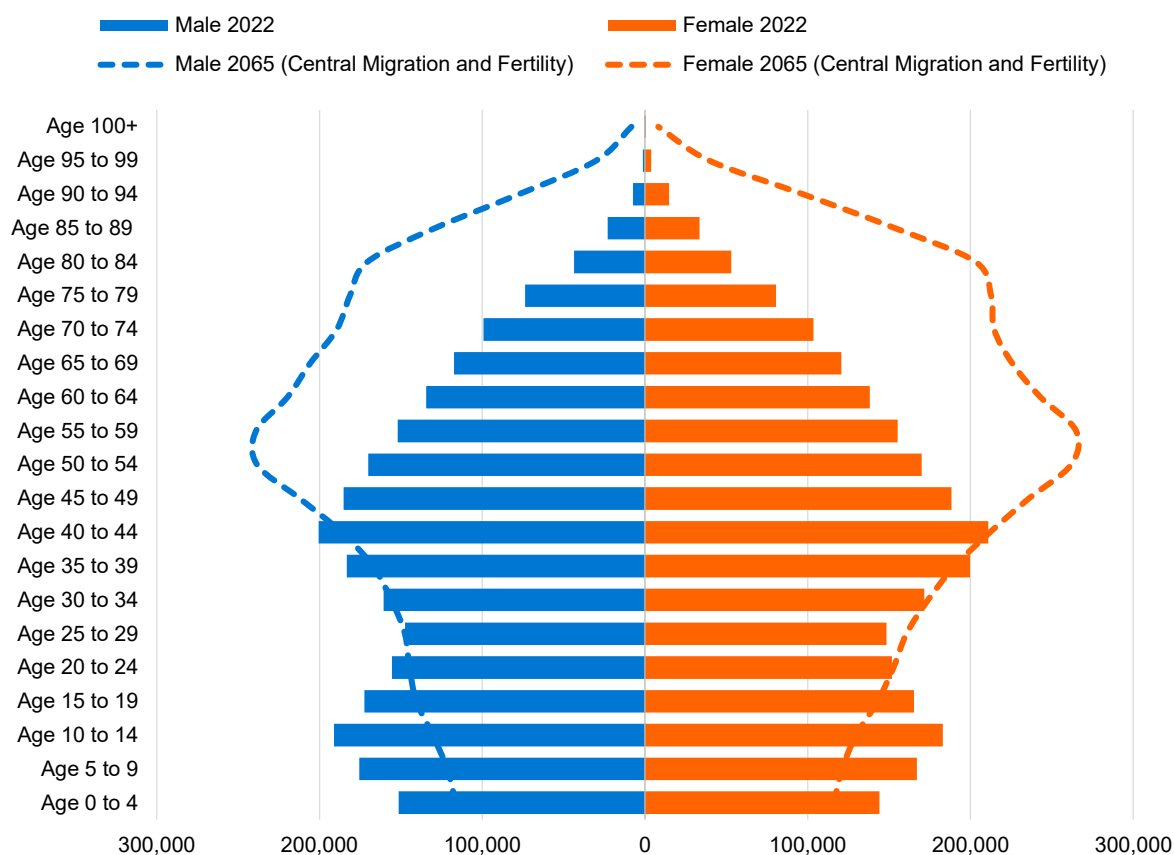
7. Department for Work & Pensions. (2023, March). State Pension age review 2023. Gov.uk. <https://www.gov.uk/government/publications/state-pension-age-review-2023-government-report/state-pension-age-review-2023>.

8. Regan, Z., Hall, S., & Hewlett, K. (2023, May). The future of the state pension. King's College London. <https://www.kcl.ac.uk/policy-institute/assets/future-of-the-state-pension.pdf>.

9. Eurostat. (n.d.). Proportion of population aged 65 and over. The European Union. Retrieved January 19, 2026, from <https://ec.europa.eu/eurostat/databrowser/view/tps00028/default/table?lang=en> and Eurostat. (n.d.). Population structure indicators at national level. The European Union. Retrieved January 19, 2026, from https://ec.europa.eu/eurostat/databrowser/view/demo_pjanind__custom_19715370/default/table.

10. Department of Finance. (2025, September 23). Future forty: Ireland's demographic outlook. Gov.ie. <https://www.gov.ie/en/department-of-finance/publications/future-forty-irelands-demographic-outlook/>.

FIGURE 3: CURRENT AND PROJECTED AGE STRUCTURE OF THE POPULATION OF ROI



Source: <https://www.gov.ie/en/department-of-finance/publications/future-forty-demographic-trends/>

The sharp increase in the old age dependency ratio has material consequences for Ireland from a fiscal perspective, creating a range of challenges in terms of increased demand for services with a relatively lower tax base. This is likely to create particular pressures for age-related spending, including the state pension.

The Irish taxation system includes a component called PRSI. Employees and employers pay PRSI contributions (the standard rate of PRSI is 4.2% for employees and 11.25% for employers currently, though both will increase from October 2026), which are invested into the SIF. In simple terms, the SIF is used to fund social welfare payments, including State Pension, unemployment benefits, disability benefits and others.

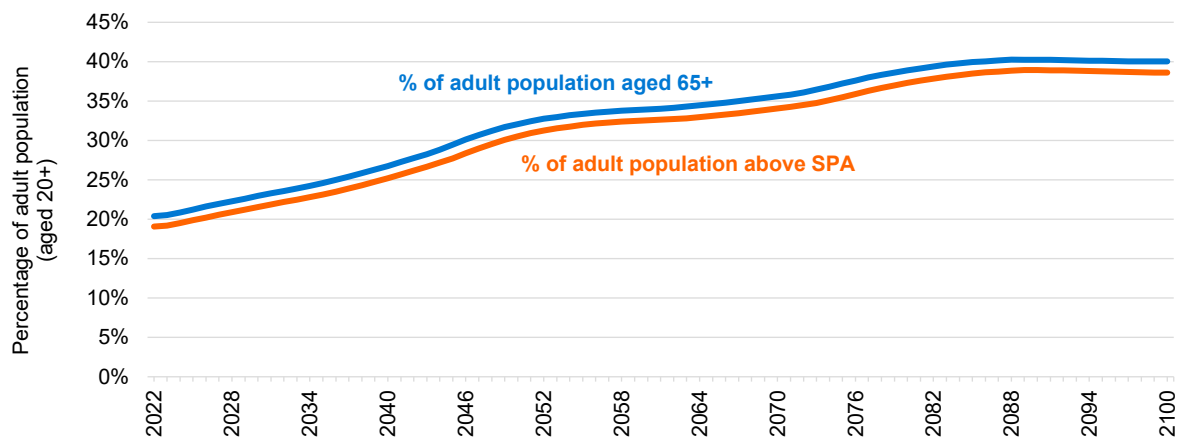
A periodic actuarial review of the SIF is carried out every five years, with the most recent review carried out by KPMG in 2022, based on the end-2020 position.¹¹ That report showed projected growth in State spending on pension provision from €7.7bn in 2020 to €42.9bn in 2065 (and to €55.1bn in 2076, which is the end of the projection period in the review). Pension benefits represented 73% of total benefit expenditure in 2022, and this was projected to grow to approximately 86% by 2065 (87% by 2076). Note that the 2020 and 2021 proportions are lower due to exceptional COVID-19 benefit payments during those years and are therefore not quoted here. Critically, pension expenditure alone is projected to exceed total SIF receipts by 33% in 2065 (45% in 2076) as currently projected.

In terms of managing costs, the current SPA in Ireland is 66, though since January 2024 individuals have been able to defer their state pension up to age 70, receiving increments of around 5% per year of deferral (e.g., 2026 maximum weekly personal rates are €299.30 at age 66, €313.40 at age 67, and €328.90 at age 68). Previous legislated increases in the SPA (to 67 in 2021 and to 68 in 2028) were reversed after political push-back. The Government instead emphasises voluntary deferral and PRSI reforms (e.g., increases in employer PRSI contribution rates and broadening coverage) to bolster the SIF.

11. Department of Social Protection. (2023, March 28). Actuarial review of the Social Insurance Fund as at 31 December 2020. Gov. ie. <https://www.gov.ie/en/department-of-social-protection/publications/actuarial-review-of-the-social-insurance-fund-as-at-31-december-2020/>.

Figure 1 shows that the planned increases in the SPA in the UK result in a broadly flat proportion of the adult population over the SPA. By contrast, the position in Ireland (given a political reluctance to plan any further increase to the SPA from the current level of 66) means that the proportion of adult lives over the SPA is expected to continue to rise, as shown in Figure 4 (prepared on a consistent basis with the UK data shown in Figure 1, projected from 2022).

FIGURE 4: PROGRESSION OF THE PERCENTAGE OF ADULTS OVER AGE 65 AND OVER SPA IN IRELAND



Source: https://ec.europa.eu/eurostat/databrowser/view/proj_23np__custom_19420048/default/table and authors' own calculations

In addition, unlike the UK, there is no statutory indexation formula; adjustments are made through the annual Budget and have traditionally tracked (but not guaranteed) increases in line with inflation. Over the past decade, upratings have averaged 1.9% per year versus CPI of 2.1% and nominal earnings growth of 3.4%. The Government has consulted (Pensions Commission, 2021¹²) on moving to use benchmarking and indexations to provide certainty to pensioners, maintaining the relative value of the State Pension to price inflation and earnings growth (akin to aspects of the UK's Triple Lock). However, no binding mechanism has yet been legislated. This leaves future state pension adequacy vulnerable to political and fiscal cycles, including discretionary freezes in pension amounts, such as occurred during 2010–2015.

As will be covered under Pillar 2, auto-enrolment in supplementary workplace savings, commencing in Ireland in 2026, aims to raise overall retirement replacement ratios to 55–60% without materially altering first-pillar generosity.

In terms of public perception, research was conducted on behalf of the Competition and Consumer Protection Commission (CCPC) to assess retirement planning in 2025, following similar studies carried out in previous years. This included conducting 1,000 interviews with a nationally representative sample of adults aged 18+. Findings in the CCPC's 'Pension Research 2025' report¹³ showed:

- A substantial majority of respondents (75% of all non-retired adults surveyed) expect to use the State Pension to fund, or partially fund, their retirement. This expectation is rising compared with previous years, indicating increasing reliance on the State Pension among the population.
- Despite this reliance, engagement with and confidence in pension provision other than the State Pension remains low. Over one-quarter of adults (26%) reported having no retirement arrangements at all, leaving the State Pension as their expected primary source of income. Among those without any pension arrangements, 61% specifically expect to use the State Pension, highlighting its central role in future income plans for a significant share of Irish adults.
- Only 19% of respondents expect to retire at age 65, a marked decline from 25% in the previous year's research, whereas many more anticipate retiring later, often into their late 60s or beyond. The expected retirement age increases significantly with the respondent's current age. This suggests an implicit unease about relying on existing retirement income structures alone, particularly for those nearing retirement.

12. The Pensions Commission. (n.d.). Report of the Commission on Pensions. <https://assets.gov.ie/static/documents/report-of-the-commission-on-pensions.pdf>.

13. Competition and Consumer Protection Commission. (2025, August). Pensions research 2025. <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2025/09/Pensions-Research-Report-2025.pdf>.

Pension system Pillar 2: Workplace provision, coverage and adequacy

OVERVIEW OF WORKPLACE OPTIONS

Pillar 2 workplace pensions in the UK and Ireland share a common heritage, with both DB and DC models present:

- DB plans grant members a predetermined income that is typically expressed as fractions of earnings (e.g., 1/60th) of career average earnings for each year of service. This is funded collectively by sponsor (e.g., employer) and employee contributions, but the funding is not individually allocated. The pension is paid directly as income and is typically inflation-linked, but with limits. DB liabilities remain on the sponsor's balance sheet, exposing employers to longevity, investment and inflation risks.
- DC schemes, by contrast, credit member and employer contributions directly to an individual account that grows with investment returns, with each individual then having a choice of how to convert the fund into a pension. Retirement outcomes, therefore, hinge on contributions, charges, investment strategy, market performance and decumulation decisions, transferring most risks away from employers and onto members.

The costs of DB plans have proved increasingly onerous, which has led to near-identical trajectories: in the UK, private-sector DB coverage has fallen from around 3.6 million active members (who continue to accrue benefits) in 2006 to less than 0.7 million in 2025¹⁴; in Ireland, 'current' schemes—meaning schemes with active members who continue to accrue benefits—have fallen from 567 schemes in 2013 to only 275 by year-end 2024¹⁵ (covering around 63,000 active members). In both markets, DB assets remain sizeable (£1.2trn in the UK and approximately €66bn in Ireland), but as per the above, the flow of new accrual is drying up. Consequently, DB scheme management now centres on end-game strategies, such as the transfer of liabilities to insurers via bulk annuity contracts.

DC has become the default workplace vehicle in both countries. In the UK, DC options comprise contract-based group personal pensions provided by life insurers or trust-based schemes. In the past, the latter was dominated by single-employer schemes, but increasingly funds are now flowing to DC master trusts, which are multi-employer and offer the benefits of increased scale, such as access to a wider range of investments and lower expenses. Ireland exhibits a similar dynamic, with the number of traditional single-employer DC schemes falling significantly (Ireland's pension regulator, the Pensions Authority, noted this roughly halving over 2023 to 2025), whereas membership in multi-employer master trusts is increasing sharply. Pensions Authority figures pointed to an increase in members of master trusts from 315,000 in June 2023 to 659,000 in June 2025, with assets under management increasing from €13.9bn to €35.2bn.¹⁶ Payroll-deducted PRSAs, which are provided where employers do not sponsor an occupational pension (and are the closest analogue to UK contract-based group personal pensions), also continued to gain ground, although PRSAs more generally are covered further under Pillar 3.

One specific element of the Irish workplace pension system has been the role of OMAs. Commonly referred to as Executive Pensions, these are effectively individual group schemes—a scheme-based pension arrangement set up for an individual. The introduction of Institutions for Occupational Retirement Provision (IORP II)¹⁷ has played a strong role in reducing the number of OMAs, supported by the Pensions Authority's stated objective for the same outcome. The application of onerous governance requirements for pension schemes under IORP II, and the application of those requirements to OMAs effectively stopped the sale of new OMAs. Although the requirements came into effect in April 2021, there was some uncertainty in the market around whether OMAs were in scope for the requirements. Following clarification from the Pensions Authority, most insurers ceased writing new OMA business in July 2022. OMAs that had been set up prior to April 2021 received a five-year derogation from the IORP requirements and must therefore put the appropriate governance in place or transfer to compliant structures (such as a master trust or PRSA) by April 2026.

14. Pension Protection Fund. (2025). The purple book 2025: DB pensions universe risk profile. <https://www.ppf.co.uk/-/media/PPF-Website/Public/Purple-Book-Data-2025/Pension-Protection-Fund-Purple-Book-2025-accessible.pdf>.

15. The Pensions Authority. (n.d.). Defined benefit scheme statistics. Retrieved January 19, 2026, from https://pensionsauthority.ie/data/defined_benefit_statistics_reports/.

16. The Pensions Authority. (2025, September 17). Supervision of pensions 2025 - 2029 [Slideshow]. <https://pensionsauthority.ie/wp-content/uploads/2025/09/Supervision-of-pensions-2025-2029-Master.pdf>.

17. The revised Institutions for Occupational Retirement Provision (IORP) Directive, an EU regulation designed to improve governance, increase transparency and enhance the protection of members and beneficiaries in occupational pension schemes across the EU.

EMBEDDED AUTO-ENROLMENT IN THE UK

Auto-enrolment has underpinned the UK's DC expansion since 2012. Eligible employees (aged between 22 and the SPA and with earnings above a threshold) are enrolled at a minimum 8% of qualifying earnings¹⁸ (3% employer, 4% employee, 1% tax relief) unless they opt out ('soft compulsion'). Participation has consistently exceeded expectations, with opt-out rates hovering around 8–10% for new savers, and under 1% for active savers, meaning an undoubted success in boosting coverage of retirement provisions. It will be interesting to see how opt-out rates progress given current cost-of-living pressures.

However, concerns over contribution adequacy persist. Although some employers and employees contribute more than the minimum level, a minimum contribution level set at 8% of eligible earnings needs to increase if more individuals are to achieve pensions that better align with target living standards. Some headline observations from analysis by the UK Department for Work and Pensions (DWP) published in July 2025¹⁹:

- '4-in-10 (43%) working-age people (equivalent to 14.6 million) are undersaving for retirement when measured against their Target Replacement Rate (TRR)²⁰ Before Housing Costs (BHC). This is calculated using the assumption that individuals will convert the full value of their DC pension pot into an annuity.'
- 'Of the 14.6 million people undersaving, 47% (6.9 million) meet more than 80% of their target income.'
- '1-in-8 (13%) of working age people are undersaving for retirement when measured against Minimum Retirement Living Standards (RLS)²¹ (an alternative way of measuring adequacy of retirement income). This increases to 3-in-4 (73%) and 9-in-10 (91%) for the Moderate and Comfortable RLS, respectively.'

Retirement Living Standards (RLS)

The objective is to provide a realistic picture of spending levels in retirement for both one and two-person households in the UK. The RLS reflect annual spending rather than income and so income levels have to be higher to allow for taxation. As of December 2025, the RLS levels were as follows:

	ONE PERSON	TWO PERSON
MINIMUM	£13,400	£21,600
MODERATE	£31,700	£43,900
COMFORTABLE	£43,900	£60,600

Approximately equal to UK NAE after tax.

That significant proportions of current workers are expected to fall short of the Moderate standard is clearly a major concern. However, this is a difficult topic as increased contribution rates inevitably increase employment costs for employers and/or reduce current disposable incomes for employees. Not surprisingly, although the problem is widely acknowledged, the can continues to be kicked down the road and current initiatives focus on trying to squeeze more out of existing contributions:

- The UK is pursuing an aggressive DC-scheme consolidation agenda on the premise that bigger schemes can negotiate lower investment and administration fees, access illiquid growth assets and deliver better net outcomes for members. This includes:
 - (i) Value for Members assessments pushing sub-£100-million trusts to merge or wind up, and a new Value for Money Framework set to extend similar tests to larger schemes.
 - (ii) The creation of authorised 'default consolidators' that will help members automatically consolidate small dormant pension pots, complemented by a longer-term ambition for pot-follows-member transfers.

18. Earnings between £6,240 and £50,270 at the time of writing in December 2025.

19. Department of Work & Pensions. (2025, July 21). Analysis of future pension incomes 2025. Gov.uk. <https://www.gov.uk/government/statistics/analysis-of-future-pension-incomes-2025/analysis-of-future-pension-incomes-2025>.

20. Target Replacement Rate (TRR) – a percentage of pre-retirement earnings (the average over ages 50 to State Pension Age) an individual would need to replace to meet an adequate income in retirement, as set out in the Turner Commission (2004).

21. Pensions UK. (n.d.). Picture your future. Retirement Living Standards. <https://www.retirementlivingstandards.org.uk/>.

- (iii) Wider reforms to encourage bulk transfers from single-employer contract-based schemes into large master trusts, with a requirement on pension providers to have at least £25 billion in their main default arrangement by 2030.
- Investment is becoming more politicised with pressure to invest more in UK projects (private assets) and also now more in UK equities as concerns grow for the shrinking listings on the UK public markets. The political logic is clear in an era of record peacetime deficits, ensuring pension savings are aligned with wider economic goals. What is unclear is the extent to which this will benefit UK pensioners, raising debate over fiduciary duty versus national policy ambitions.
- The UK has had a brutal focus on cost in recent years. Schemes used for auto-enrolment offer a default investment fund (or funds) that typically serves the majority of members. The charges applied to such funds to cover both administration and investment are capped at 0.75% per year. However, a competitive environment has driven charges well below this level, making scale critical to viability. It is difficult to argue that low costs are not good for members, but the other side of the coin is that innovation has been stifled.

Further to the above focus on existing DC structures, there has been a lot of political interest in Collective DC (CDC) schemes, which are branded ‘collective money purchase’ in UK law. These are, in essence, a blend of DC and DB models, with fixed employer/employee contributions (DC) but a pooled investment fund amongst members that targets, rather than guarantees, an inflation-linked retirement income (a non-guaranteed ‘defined’ benefit). Members share idiosyncratic longevity risk²² and market risk, enabling trustees to hold more growth assets for longer and to smooth outcomes through periodic benefit adjustments. The framework became operational in August 2022 for single-employer schemes, and the first and only of these (to date) in the UK, the Royal Mail Collective Pension Plan, was authorised by The Pensions Regulator (TPR) in April 2024.

Government and industry attention has now shifted to widening CDC access. Draft regulations laid in October 2025 would allow multi-employer CDC schemes from 31 July 2026. One provider has already gone public with plans to launch a scheme when feasible, whereas cross-party political backing and a dedicated CDC team at TPR are in place to speed authorisations. If the legislative timetable holds, the first multi-employer CDC schemes could open to members as early as 2027, marking a significant step in innovation and expansion of the UK’s retirement-income landscape.

THE INTRODUCTION OF AUTO-ENROLMENT IN IRELAND

Ireland launches its own auto-enrolment regime (MFF) in January 2026, which will mark a huge change in the Irish workplace pensions landscape. As with many countries, Irish pensions research has consistently pointed to material under-provision of personal retirement savings, with a heavy reliance on State Pension and other savings. The introduction of MFF is designed to change this, providing an estimated 800,000 people with a DC pension fund.

Arguably, Ireland is a little behind in the auto-enrolment journey relative to many peer countries, but perhaps an advantage of this is that the Irish system can learn somewhat from the experience of similar systems in other countries.

The Irish model mimics (to some extent) soft compulsion in the UK, yet ultimately targets a higher steady-state contribution of 14% (6% employer, 6% employee, 2% State). Note that this State contribution is instead of tax relief seen in the UK and other DC workplace provisions in Ireland. The contribution rate is being introduced on a phased basis; initially, contributions will be set at 1.5% of total remuneration (salary plus bonus) for employees, with a matching 1.5% for employers, with the State providing 0.5%. Every three years, the contribution rate will step up until it reaches the end-state by 2035. Ireland’s policymakers hope the 14% MFF end-state will mitigate a similar shortfall as seen in the UK, but legacy DC schemes typically operate at combined contribution rates well below that level.

Eligibility for MFF is roughly comparable with the UK framework, though Ireland’s six-month mandatory participation before opt-out (and thereafter automatic re-enrolment after two years) is tighter than the UK’s immediate opt-out option, which may help limit the impact of dropout rates. Similarly, centralised administration and an approach where the pot follows the member when they change jobs should help reduce the potential challenges that can arise under some systems (such as in the UK), when pension pots can become more fragmented.

22. Longevity risks arising from individual experience versus the pool of members. The lack of benefit guarantees means members are still exposed to systematic changes in longevity experience if these adversely impact the scheme’s funding position.

The rate of state support (2% State, or 33% of the employee 6% contribution) under MFF is attractive for lower rate taxpayers (relative to current DC pension vehicles). However, for higher rate taxpayers, the impact of tax relief on a DC workplace pension would outweigh the State contribution under MFF. It is likely, therefore, that over time, MFF will become the key Pillar 2 vehicle for individuals on lower levels of income, with top rate taxpayers opting for alternative arrangements.

The MFF is a very new feature within the Irish pensions landscape. It is perhaps not surprising, therefore, that awareness and expectations of the scheme among consumers are somewhat limited. The CCPC's 'Pension Research 2025' report²³ indicated that 60% of respondents said they did not understand the scheme, whereas a further 10% had not heard about it. Understanding of the scheme was lower for individuals in lower socio-economic groups. In terms of expectations for the scheme, 27% of individuals without a pension expected to be auto-enrolled into the scheme.

It is worth noting that the survey conversations underpinning the CCPC research took place in July 2025. Over the second half of 2025, with the introduction of MFF approaching, there was a notable increase in the Government's information campaign, which may have helped to improve the level of understanding of the scheme more broadly. It will be interesting to see whether next year's CCPC research demonstrates an improvement in these measures once MFF has actually begun to operate.

Pension system Pillar 3: Retail private provision

OVERVIEW

Although workplace auto-enrolment has captured most policy headlines during the past decade, voluntary 'third-pillar' saving continues to play a decisive role in determining eventual retirement adequacy. In both the UK and Ireland, Pillar 3 provisions take the form of individual DC contract-based arrangements for individuals who do not have access to a workplace scheme (e.g., self-employed individuals), anyone with career breaks that dilute workplace contributions or anyone wishing to supplement workplace arrangements (typically higher-income households).

The benefit from Pillar 3 private provision is a fund at retirement specifically allocated to each individual, who then has a choice of how to convert the fund into a pension (with similar options to Pillar 2). Decumulation provision in the UK and Ireland is covered further in a later section.

RETAIL PROVISION IN THE UK

The UK third pillar is neither a single scheme nor a statutory right; it is an ecosystem of tax-advantaged wrappers and mainstream investment products that individuals may use at their own discretion. The main channels are:

- Individual-contract-based pensions, including standard personal pensions, Stakeholder Pensions, which are a simpler, lower-cost pension option and Self-Invested Personal Pensions (SIPPs), which are personal pensions with greater control over investments. Although smaller than Pillar 2, the flow of contributions into these products is considerable at approximately £14.6bn for the fiscal year 2023-2024.²⁴
- Tax-efficient investments such as Individual Savings Accounts (ISAs), including the Lifetime ISA (LISA). Although not strictly pensions, these are voluntary, private savings vehicles that some use for retirement savings.

All individual-contract based pensions in the UK replicate the 'exempt-exempt-taxed' (EET) model of the workplace pension. Contributions receive tax relief at the member's marginal rate,²⁵ investment returns accrue largely free of UK income and capital-gains taxes, and withdrawals above the 25% tax-free lump sum are taxed as earned income, subject to various allowance limits described later.

23. Competition and Consumer Protection Commission. (2025, August). Pensions research 2025. <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2025/09/Pensions-Research-Report-2025.pdf>.

24. See HM Revenue & Customs. (2025, July 31). Private pension statistics commentary: July 2025. Gov.uk. <https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary>.

25. Subject to various limits.

Stakeholder pensions, launched in 2001 to serve low- and middle-income savers, provide statutory consumer protections: a single charge (covering administration, fund management and, where applicable, life styling switches) capped at 1.5% per year for the first decade (1% thereafter), low minimum contributions and penalty-free transfers. Although their market share has shrunk since auto-enrolment, stakeholder plans remain a useful wrapper for small, irregular contributions. That being said, the small pot sizes and relatively disengaged members mean few providers have felt commercial pressure to move administration to cheaper platforms. By contrast, most low-cost personal pensions in today's market are newer 'platform' products with digital onboarding, automated administration and a predominantly passive investment fund menu, which dramatically reduces marginal costs, in many cases to below the capped charges on stakeholder pensions.

SIPPs occupy the opposite end of the spectrum. Still a form of personal pension, they are governed by a dedicated Financial Conduct Authority (FCA) rulebook because they permit an extensive investment universe: direct UK and overseas equities, exchange-traded funds, bonds, commercial property and, under strict conditions, certain private-market assets. This investment autonomy typically appeals to affluent investors and/or high earners seeking tax-efficient, flexible retirement vehicles. The trade-off is cost and complexity, as administration fees are often high, plus dealing and property-related charges, and providers have seen significant increases in capital and financial resource requirements in recent years, as well as facing rising due diligence requirements following recent enforcement action and the introduction of the FCA's Consumer Duty.²⁶

Therefore, the personal pension market is bifurcating large-scale, low-cost contracts that mirror workplace master trusts for the mass market, and premium-priced SIPPs for a smaller pool of engaged or higher-tax-rate savers who prioritise investment control and bespoke tax planning.

HM Revenue & Customs reports that, as at the end of tax year 2023–24, adult ISA holdings stood at roughly £871bn.²⁷ Stocks-and-shares ISAs account for around 59% of total ISA market value, reflecting a long-running shift away from cash holdings (in Cash ISAs) in response to ultra-low interest rates during the 2010s. The annual ISA subscription limit is £20,000 per adult (although this is due to be lowered to £12,000 for Cash ISAs in 2027), and all investment growth and withdrawals are free of income and capital-gains tax. However, contributions are made from post-tax income, meaning the effective incentive is tax-free growth rather than upfront relief.

The LISA, introduced in 2017 to help younger adults save for either a first home or retirement, provides a 25% government bonus on contributions up to £4,000 a year. The LISA limit counts towards the annual ISA limit described above. If retained until age 60, proceeds can be accessed tax-free; early withdrawals (other than for house purchase) incur a 25% penalty, clawing back the bonus and part of the individual's savings. LISA uptake has grown steadily, with around 6% of adults who have ever been eligible having opened a LISA and around 1.3 million accounts still open as at latest figures in mid-2025.²⁸ Critics argue that the LISA's dual purpose dilutes retirement intent, and that the age-limited eligibility window (18–39 for opening an account) does not align with modern, non-linear career paths.

A key challenge for many individuals is simply to understand what pension benefits they have accumulated during their working life across all pillars, so they can understand their financial position in relation to their retirement goals. The forthcoming Pensions Dashboards Programme promises a major step forward in this by integrating Pillar 3 data with workplace and State entitlements, giving savers a consolidated view of their retirement position. Full onboarding has been delayed several times, but the legal deadline for all pension providers and schemes to connect is now 31 October 2026. However, the scope is limited to pensions, so aggregation of savings in other vehicles, such as bank accounts or the ISA products described earlier, will remain a manual process for individuals.

26. Financial Conduct Authority. (2023, May 12). Portfolio letter for SIPP operators [Correspondence]. <https://www.fca.org.uk/publication/correspondence/dear-ceo-letter-portfolio-letter-sipp-operators-2023.pdf> and Financial Conduct Authority. (2024, November). FCA's expectations for Self-Invested Personal Pension (SIPP) operators [Correspondence]. <https://www.fca.org.uk/publication/correspondence/portfolio-letter-sipp-operators-2024.pdf>.

27. HM Revenue & Customs. (2025, September 18). Commentary for annual savings statistics: September 2025. Gov.uk. <https://www.gov.uk/government/statistics/annual-savings-statistics-2025/commentary-for-annual-savings-statistics-september-2025>.

28. Committees. (2025, June 30). 'Complex' Lifetime ISA increases risk of poor financial decisions. UK Parliament. <https://committees.parliament.uk/committee/158/treasury-committee/news/208057/complex-lifetime-isa-increases-risk-of-poor-financial-decisions>.

RETAIL PROVISION IN IRELAND

Pension provision outside the workplace in Ireland is focused on DC savings contracts—primarily the PRSA, though it should be noted that PRSAs (as mentioned earlier) are also a component of Pillar 2 pension provision in Ireland, with a number of PRSA-based company schemes.

PRSAs are contract-based accumulation vehicles, typically unit-linked. The Standard PRSA has limitations on charges (a maximum 5% contribution charge and a maximum 1% AMC) with further limitations on the range of investments that can be held. The non-standard PRSA has a very similar structure, but does not have the charge cap in place and has a wider range of assets allowable.

PRSAs were introduced in 2002 with the intention of delivering a mass market Pillar 3 accumulation vehicle. Arguably, they did not quite deliver on that ambition, with relatively slow and steady growth in numbers of in-force contracts over the two decades following introduction.

By Q1 2023, there were 237,000 in-force PRSAs with around €9bn of assets under management. As described in the section on Pillar 2 workplace pensions, the 2023 introduction of IORP II governance requirements for OMA has seen a significant move to PRSAs from a Pillar 2 perspective. Since then, there has been a material increase in the number of PRSAs; in total, across both pillars, Pensions Authority data²⁹ shows 311,000 PRSA contracts at Q2 2025, with assets under management of €20bn. The increase in numbers of contracts since Q1 2023 has coincided with a change in the type of PRSA contract sold; around two out of every three new PRSAs sold over that period were non-standard PRSAs, a reverse of the position prior to that where broadly, there were two standard PRSAs sold to everyone non-standard. This further corroborates the view that PRSAs (along with master trusts) are playing a considerable role in replacing OMAs and it is expected that they will continue to play a significant role in the Irish pension landscape into the future.

Decumulation and provision of advice

OVERVIEW

Until recently, the focus of conversation in both the UK and Ireland was almost entirely around those accumulating funds, as retirement benefits were largely defined so the management of these was not a concern to retirees. However, the volume of people who are now entering retirement with either a mix of DB and DC benefits or solely dependent on their DC pot is growing. There is, therefore, a growing focus on decumulation options and advice around these.

Under DC arrangements, the benefit is a fund at retirement specifically allocated to each individual, who then has a choice of how to convert the fund into a pension. Mainstream pension options at retirement in both countries are generally (aside from the at-retirement lump sum):

- Purchase an annuity, which places investment and longevity risk with the insurer, though at a cost (with annuities often viewed by individuals as expensive, particularly if some inflation link is desired).
- Purchase a drawdown product, which allows retirees to continue investing in real assets in decumulation, providing inflation protection with arguably better value, but the individual nature leaves retirees with difficult decisions about investments and, crucially, the rate of drawdown. This approach leaves individuals exposed to longevity risk, as it is possible for funds to be fully depleted before death.

Some combination strategies between these are proposed, such as ‘flex-then-fix,’ in which the retiree uses drawdown for the first X years of retirement, before purchasing an annuity. However, these high-level options leave retirees with a difficult choice of two quite different retirement income products (one guaranteed but with little flexibility, the other very flexible but with no guarantees), and innovation in both the UK and Ireland to expand options for retirees has been fairly limited.

29. The Pensions Authority. (2025, September 17). Supervision of pensions 2025 - 2029 [Slideshow]. <https://pensionsauthority.ie/wp-content/uploads/2025/09/Supervision-of-pensions-2025-2029-Master.pdf>.

DECUMULATION AND ADVICE IN THE UK

Firstly, let's draw a distinction between guidance and advice:

Guidance - generally provides information only to assist an individual in understanding their options and to help them narrow down their choices. Although guidance should be relevant to the question being asked, it is not tailored to an individual's specific circumstances, nor does it provide a recommendation of actions to take, for example, product purchases.

Regulated advice - involves engaging a qualified and regulated Financial Adviser. The advice process includes the collection of detailed information about an individual's financial goals and circumstances and will result in recommendations for specific actions to take based upon that.

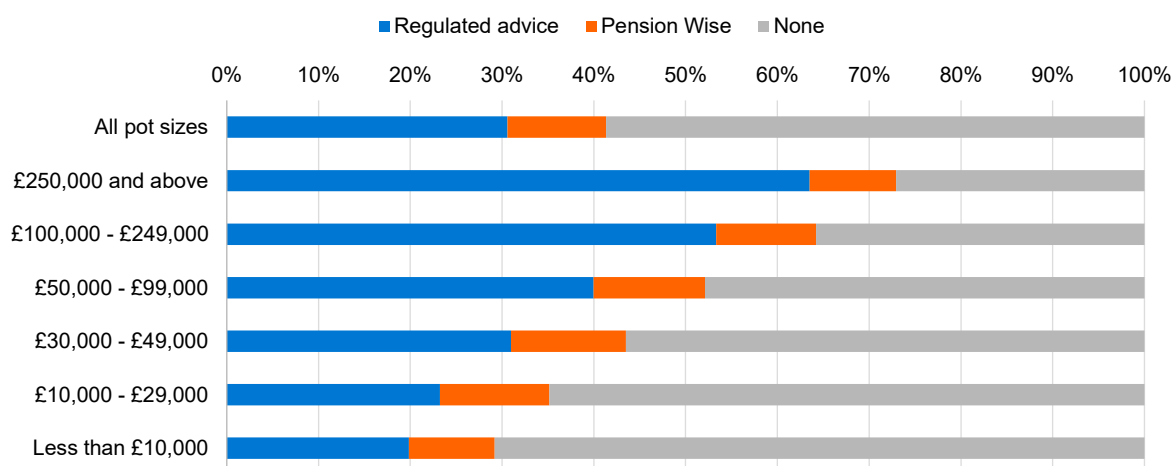
In the UK, how schemes should support their members in creating a stable income in retirement is now a major topic, and trustees/insurers will in the future have an obligation to either directly (or via third parties) provide access to appropriate solutions. Indeed, the Pension Schemes Bill 2025 proposes that all trust-based DC schemes and contract-based group personal pensions must offer a default decumulation pathway by 2028, such that all members will be offered a way to convert savings to retirement income. Some schemes are going further and providing guided income approaches. Such approaches seek to provide guidance on an initial sustainable income level and subsequently on adjustments needed over time to ensure income remains sustainable in light of the investment performance of the individual's fund; the first of these was launched in the UK in June 2025.

However, many are wary due to the issue of when the provision of guidance becomes advice. The advice–guidance boundary is a non-trivial challenge, with regulatory work to define this starting in 2023 and still very much work in progress. This means that many schemes do not do more than offer options in case they are deemed to have crossed the boundary. Nevertheless, TPR is urging trustees to do more:

That is why trustees must rethink their role, not just as stewards of assets, but as enablers of good retirement outcomes. Generic solutions will not cut it. We need simple but tailored support, smarter decumulation strategies, and clearer guidance.³⁰

In the retail sector, support and solutions for individuals entering decumulation are very much areas of current focus in the market. It is continually recognised that more people need advice than get it, and the problem is becoming more acute as the assets threshold to make providing advice viable for an adviser has risen over the years. Figure 5 illustrates the challenge by showing the use of advice and guidance for those first accessing their pension over April 2024 to March 2025.

FIGURE 5: INCIDENCE OF ADVICE OR GUIDANCE VERSUS POT SIZE IN THE UK



Source: <https://www.fca.org.uk/data/retirement-income-market-data-2024-25> and authors' own calculations. Pension Wise is a government-backed advice service that offers appointments to provide free, impartial guidance to people withdrawing money from their DC pensions.

30. Smith, S. (2025, August 14). TPR urges trustees to 'rethink' decumulation strategies. PensionsAge. <https://www.pensionsage.com/pa/Pension-trustees-urged-to-rethink-decumulation-strategies-to-avoid-retirement-crisis.php>.

The advice–guidance boundary review is contemplating a concept of ‘simplified advice,’ which may permit advisers to address less wealthy, currently underserved clients, but the economics of this will not be easy to resolve.

In addition, a recent thematic review by the FCA concluded that the advice market needs to make a clearer distinction between accumulation and decumulation, recognising that the investment, behavioural and longevity risks facing a retiree are materially different from those of a saver still building a pot. In accumulation, the primary focus is on growth, pound-cost averaging and cost control, whereas in decumulation, the individual or adviser has to manage sequencing risk, withdrawal-rate sustainability, healthcare contingencies and the interaction with State benefits.

The FCA therefore expects advisers to design and document dedicated retirement-phase processes, covering income-projection assumptions, safe-withdrawal methodologies, tax-efficient tranche sequencing, annuitisation triggers, etc., rather than simply repurposing accumulation model portfolios. As a result, UK advice businesses now need to move beyond a generic Centralised Investment Proposition and develop a specific Centralised Retirement Proposition that embeds these decumulation-specific disciplines, evidences ongoing suitability and can be scaled across the firm’s client base without diluting personalisation.

In terms of innovation in the UK, to quote from our own 2023 paper³¹:

The ‘freedom and choice’ reforms to the UK pension system introduced back in April 2015 (yes, it was eight years ago) offered individuals greater flexibility in how they structure and manage the provision of their retirement income but did not deliver the supporting tools in terms of products, advice and services, to help them navigate the new world. The working assumption has been that the insurance and pension industry would address this and fill the gap over time. Indeed, progress has been made though we believe many would agree it has been slower than envisaged back in 2015. To be fair to the industry, the scale of the challenge is huge and there have been some significant headwinds to deal with over this period in terms of economic conditions, regulation, changes to state benefits and technology.

Recent developments in the UK have been:

- Smoothed managed funds, which reduce volatility but are less effective in mitigating Global Financial Crisis type events with significant and prolonged market falls, which are most damaging for those taking income from invested funds.
- Combining investment funds and an annuity together within a single pension tax wrapper, which can offer some operational advantages but can also increase charges on the annuity element.
- After a significant fall following the freedom and choice reforms in 2015, sales of annuities generally have increased in recent years as rates have improved considerably. There is also a possible boost in sales expected when tax changes to bring unutilised pension funds into the inheritance tax net come into force from April 2027.
- Limited term annuities, which bridge from retirement to the ever-increasing SPA for the State pension.
- Many wealth managers and advisers run multi-pot approaches for clients using cash, gilt strips or structured products to cover a specified number of years of anticipated income needs with income drawn from investment funds thereafter. These have some advantages but can leave customers and advisers exposed to residual sequence risk, as demonstrated in a recent research paper.³²

In addition, CDC schemes offer a middle ground between the very distinct decumulation options of annuities or drawdown. The ‘whole life’ (accumulation and decumulation) CDC schemes currently on offer or proposed have limited coverage (must be linked to an employer) and will take at least a generation to see the potential benefits come through in decumulation. However, there was recently a public consultation on a policy framework for ‘Retirement CDC schemes,’ which would be used only in decumulation and would allow individuals who have saved into a DC pension vehicle to transfer their pot at retirement into a CDC scheme, with a trustee managed income for life.

31. Dissanayake, N., Howell, C., & Ward, R. (2023, October 27). Retirement income in a Defined Contribution pensions world. Milliman. <https://uk.milliman.com/en-GB/insight/retirement-income-in-a-defined-contribution-world>.

32. Dissanayake, N., & Ward, R. (2025, June 20). Retirement income: The impact of market risk. Milliman. <https://www.milliman.com/en/insight/retirement-income-impact-market-risk>.

DECUMULATION AND ADVICE IN IRELAND

A key development in the Irish pension landscape has been the growth in the decumulation market and the changing shape of decumulation choices. Prior to 1999, the options available to holders of DC pensions at retirement were quite limited. Typically, at retirement, an individual would take a tax-free lump sum, with the remainder of the pot being used to purchase an annuity. In 1999, a new option, the ARF, was introduced, albeit only for company directors and self-employed people. The ARF reflects a (typically unit-linked) drawdown vehicle that allows retirees to take greater control of their investment portfolios post-retirement. Since its introduction, the ARF has evolved, with the eligibility criteria expanding at a number of points such that, following changes in 2016, it is now an option for all retirees.

Over that period, the ARF has come to dominate the post-retirement landscape in Ireland. We estimate that as of 2024, amounts invested in an ARF at retirement are approximately 10 times those invested in an individual annuity. There are a number of reasons for this dominance, including:

- The low-interest rate environment of the last decade and a half, combined with increasing longevity, has seen a material reduction in annuity rates over the period.
- The move to Solvency II in 2016 creates a greater link between risk and capital, and significant capital requirements for annuity business, particularly in Eurozone countries, where the matching adjustment is less prevalent, which has further eroded annuity rates.
- In combination, this has created a perception that annuities offer poor value, lack flexibility and provide poor estate management with any money invested 'lost' on death.
- By contrast, ARFs are seen as more flexible, providing greater access to income when needs arise, giving greater control of investment choices (and hence greater access to real assets) and providing greater benefits in terms of estate planning.

These factors combine to make ARFs a more attractive proposition than annuities and arguably 'an easier sell.' However, this analysis may be over-simplistic and may overlook some key strengths of annuities relative to ARFs. In particular, if increasing longevity is a factor that has led to lower annuity rates, an alternative product that places all longevity risk on the individual may not be an ideal solution. Annuities at least provide a certainty of income into the future, whereas ARFs run a considerable risk of individuals outliving their savings (or at least having to reduce income very materially to avoid doing so).

Similarly, ARFs leave investment risk with the individual. Critically, this may also include some element of decision-making around asset allocations, which may require advice and may become more challenging over time, particularly for more vulnerable older customers.

Further to the above, the popular pre-retirement accumulation product, the PRSA, has recently seen changes to its structure to facilitate the product operating on a whole-of-life basis—effectively a DC accumulation vehicle pre-retirement and a unit-linked drawdown vehicle post-retirement. In late 2025, the Pensions Authority initiated a consultation on the potential introduction of in-scheme drawdown for DC occupational pension schemes, which could achieve a similar outcome for plan members. The Pensions Authority consultation envisages an optional in-scheme drawdown facility. It notes that general trustee duties would apply to the provision of in-scheme drawdown, which may result in members benefiting from governance arrangements that would not apply in an individual drawdown product, such as an ARF. In addition, it is envisaged that trustees would need to put in place a default investment strategy that would take account of member needs in drawdown.

There is considerably less data available on the provision of advice in the Irish post-retirement landscape, compared with the data available in the UK. Much of the information available comes from surveys, including the CCPC's 'Pension Research 2025' report³³ referenced earlier in this paper. The survey results echo a number of the themes evident in the UK data:

- A large proportion of the population (66%) has never talked one-to-one to a financial advisor on retirement or pensions.
- The position improves with age, with almost half of 45- to 54-year-olds having spoken to an advisor compared with only 13% for those under 35.

33. Competition and Consumer Protection Commission. (2025, August). Pensions research 2025. <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2025/09/Pensions-Research-Report-2025.pdf>.

- There are notable differences by socio-economic classes, with 51% of those classified as AB having spoken to an advisor, compared with just 12% for those in class DE.
- 49% of those with either a public or private pension in place have never spoken to an advisor.

Those seeking advice in the Irish market are most commonly using independent financial advisors or brokers. We estimate, based on survey information provided by life and pensions companies in Ireland, that around 80% of pensions business (pre- and post-retirement) is sold through the broker channel, though much of this will be Pillar 2 workplace schemes that may not involve one-to-one financial advice.

The cost of advice in the Irish market is most commonly met through commissions (initial and ongoing) that are paid by insurers to brokers and funded implicitly through product charges, though some brokers use nil-commission product structures and charge separately for advice.

This creates a complex challenge for the industry as a whole. On the one hand, commission structures could create conflicts of interest with the potential for customer detriment. On the other hand, removing commission structures may impair the ability to fund the cost of advice, which may exacerbate the challenge of providing access to advice, particularly for individuals with smaller pots. This challenge may well further increase when MFF is more established and potentially results in a greater number of people reaching retirement with DC pension pots, some potentially relatively modest, and a potential strong need for individual advice.

With the vast majority of individuals reaching retirement with DC pots and availing of a unit-linked drawdown product, there does not appear to be a huge level of individualisation in terms of advice at retirement. However, with an increasing focus among insurers and industry groups on post-retirement solutions, we believe there is likely to be further product innovation in the Irish post-retirement landscape, which should be beneficial to consumers by providing additional options for managing risks in retirement, but will also be likely to increase the complexity of the product landscape, increasing the need for advice.

Opportunities and challenges for life insurers

PILLAR 1

Across both the UK and Ireland, the State Pension represents a valuable, almost universal, underpin to retirement provision, but is unlikely to deliver the level of retirement income most people now expect. Pressures around economic growth and demographics pose serious challenges. Mitigation of these is likely to involve continuing increases in the SPA (in the UK, at least) and possibly a reduction in the level of benefit in relation to earnings. Each incremental retrenchment widens the 'adequacy gap,' with individuals likely wishing to enhance the benefit provided by the State Pension to align their retirement income more closely with their aspirations. The likely future decline in the relative importance of Pillar 1 presents an opportunity for insurers, as it increases the potential headroom for them to offer solutions through Pillars 2 and 3.

PILLARS 2 AND 3

The UK and Ireland are converging on a DC-dominant, master trust-heavy Pillar 2 landscape steered by automatic enrolment and scale economies. The UK's auto-enrolment journey is more mature, offering lessons that Ireland can selectively adopt (and is showing signs of doing so). Ireland's delayed but more ambitious contribution schedule may eventually deliver higher replacement rates, yet successful implementation will hinge on sustaining opt-in levels and managing political expectations. Going forward, the Pillar 2 landscape will revolve around balancing adequacy, affordability and risk in a world where the final-salary (DB) promise has largely been removed. This provides a sizeable and growing retirement market, and Freedom and Choice reforms in the UK and expanded eligibility of ARFs in Ireland, allow retirees optionality around what to do with their funds at retirement.

The newness of the auto-enrolment journey in Ireland creates some uncertainty, which can lead to both opportunities and threats for insurers. Although there is no material role for insurers in the MFF accumulation stage, the introduction of MFF has brought pension provision to the forefront of the national discourse and has created a decision point, particularly for higher rate taxpayers who have yet to make suitable pension arrangements. As a result, although arguably MFF will reduce the available market for insurers during the accumulation stage, it is also likely to create opportunities for insurers and advisers to attract more customers into PRSAs and other DC pension products. MFF discussions to date have focused on the accumulation stage. It is not fully clear what will happen when individuals within the scheme reach retirement. As currently described, it is likely that this will create opportunities for insurers with an increased pool of individuals with DC pots reaching retirement, but the options and opportunities are not yet fully clear.

The arrival of CDC in the UK offers an approach that can be viewed as a blend of DB and pure DC. It will be some time, though, before the appetite for CDC schemes, among both sponsors and employees, becomes clear and even longer before we can establish whether the often-quoted potential for significantly higher pension income (versus DC with income drawdown or annuitisation) is realised. Some insurers may decide to participate directly by establishing their own CDC Master Trust schemes, though we are not aware of any announcements in the UK yet. However, almost irrespective of their success, the CDC may move the Overton window³⁴ around product design, with more interest in solutions that offer members more peace of mind through a degree of risk management around longevity and/or market risks.

The UK product landscape, in particular within Pillar 3, remains quite fragmented when considered at a granular level, but in essence, it divides largely as follows:

- Accumulation phase – dominated by what are essentially pure asset management solutions where all risks are passed to the individual.
- Decumulation phase – this also remains dominated by pure asset management solutions. Typically, market and longevity risks remain with the individual, but there is a quid pro quo in relation to retained flexibility to vary income according to need and provide legacy benefits. However, with the rise in interest rates since 2022, there has been a growing interest in and sales of guaranteed lifetime annuities. Here, market and longevity risks are passed to the insurer, but the purchase is irreversible, and the income profile is typically fixed.³⁵ Many approaches that have come to market in recent years focus on mechanisms to combine these two in various ways to construct a blend of flexibility and peace of mind that provides an appropriate balance of risk for the individual.

Our sense is that there is scope for further innovation in the market to bring solutions that can offer a more integrated approach to managing the trade-off between participation in rising investment markets and the comfort of some protection should markets fall. Historically, such solutions have been the forte of insurers. However, a general societal trend towards fully individualised benefits, combined with the economic challenges of ultra-low interest rates and increased regulatory capital requirements, has significantly challenged the viability of participating style products for insurers. However, the economic environment is currently more benign, with interest rates having risen significantly from the historical lows around 2020. Furthermore, the volume of DC funds flowing into decumulation and the increasing number of individuals who will retire solely reliant on DC benefits are really moving the challenge of providing sustainable pensions to the forefront of debate in the pensions market.

Although the accumulation phase in Ireland is similarly dominated by unit-linked solutions with all risks passed to the individual, the decumulation phase picture in Ireland is a little different to that of the UK. As with the UK, interest rates in the Eurozone have increased somewhat since the historical lows of recent years, but they remain considerably below UK levels. The dominance of the ARF drawdown product, and the perceived importance of flexibility and estate planning, mean that annuities may be less likely to form a material component of post-retirement customer solutions in Ireland in the near future.

As is often the case, the current situation in both markets represents an opportunity for insurers—latent demand and unmet needs. It also represents a challenge as many of the product offerings that might be considered will require insurers to contemplate product features that have largely fallen into disuse, such as risk pooling, return smoothing and investment guarantees. The challenge of managing the associated capital requirements remains. In our view, however, capital can often be mitigated through the use of well-designed dynamic investment risk management techniques, though the risks associated with these product features cannot be eliminated completely.

34. The Overton window describes the range of policies and ideas that are deemed reasonable for discussion at a particular point in time.

35. Defining an income profile at the outset of retirement is a non-trivial challenge for individuals and their advisers. In a 2023 paper, we explored some of the research being undertaken into retirement spending patterns. See Retirement income in a Defined Contribution pensions world at <https://uk.milliman.com/en-gb/insight/retirement-income-in-a-defined-contribution-world>.

A once-common product whose merits and challenges are once more being debated is the deferred annuity, whereby individuals purchase annuity benefits at retirement, say 65, but which commence from a later age, such as 75 or 80. The aim is to help individuals manage their longevity risk by securing up-front a guaranteed income for the final years of their retirement. Purchase up-front removes the risk that insufficient funds are available later or that there has been a marked increase in the cost of the benefits. However, there is a sacrifice of flexibility, the potential for higher returns on the funds committed and any future beneficial moves in pricing. The product is already a feature of the Pension Risk Transfer (PRT) market in the UK, whereby DB pension scheme benefits are transferred to insurers, so it seems feasible to envisage that availability could be extended to the DC decumulation market should there be evidence of adequate demand.

Deferred annuities are not currently a feature of the PRT market in Ireland, though increasing demand has resulted in some Irish insurers exploring this product further. Although annuity based solutions for individuals post-retirement have fallen out of favour, it is conceivable that a deferred annuity offering, perhaps alongside a unit-linked drawdown component, could form a part of an individual's product portfolio to help meet income needs post-retirement. With ARF eligibility only fully opening in 2016, and with the recent growth in the ARF market, we have not yet reached a point where there is a material number of retirees at older ages who are relying on ARFs solely for their retirement income. As the population of those in their 80s and 90s relying on ARFs increases, this may create different customer needs, which cannot be fully met by ARFs alone and may see an increased role for products offering some longevity risk transfer back to insurers.

Turning to products that could offer individuals some investment upside, will we see the return of participating (with-profits) style products? Perhaps, in some form, and as Mark Twain is reputed to have said, 'History doesn't repeat itself, but it often rhymes.' Indeed, in the UK market, we have already seen the launch of new managed investment funds offering some smoothing of returns. Furthermore, the potential to expand the range of annuity offerings to include participating variants has now become a regular topic among both insurers and advisers at industry conferences in the UK, and we are aware of a number of UK insurers who are in the process of developing with-profit immediate annuities of various types—these products were previously a feature of the UK market but have not been widely offered for many years. Despite the resurgence of interest, there are some clear hurdles to be overcome. A key one will be to shed the current rather negative connotations of the 'with-profits' brand. The ability to exercise discretion around benefits can offer useful flexibility in managing challenging investment environments and the sometimes-competing interests of different cohorts of customers. However, this will always raise the question of how much pooling and cross-subsidy is fair, and both advisers and end consumers will need clear, jargon-free explanations of smoothing, capital buffers and potential upside if the product is to regain trust.

More prosaically, there are practical challenges. From a regulatory perspective, the combination of Solvency UK, the PRA's focus on management-action realism, and the FCA's Consumer Duty demands a level of capital resilience, documentation and evidentiary 'good outcome' testing that simply did not exist when the original versions of these products were launched. Operationally, few insurers still have open with-profits funds and suitable administration systems for handling such complex products, and deep industry understanding of with-profits products is declining. Taken together, these factors do not rule out a new generation of with-profits offerings, but they do highlight that success will depend as much on disciplined execution and transparent communication as on clever product design.

In Ireland, where with-profit products have not been a material feature of the market for decades, it seems less likely there will be a resurgence of interest in these products. However, we are potentially seeing the emergence of unit-linked ARF products which incorporate some element of investment guarantees or downside protection, and this is a more likely direction of travel in the Irish market, at least in the short to medium term.

Overall, the interplay of State Pension retrenchment, auto-enrolment asset flows, regulatory and societal trends and an underserved decumulation market makes both the UK and Ireland ripe for life insurers that are prepared to innovate and deliver coherent propositions across the full retirement journey.

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