Institute
and Faculty
of Actuaries

Member-led insights from the IFoA

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An actuarial roadmap for better retirement outcomes

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Foreword: a call to action for the actuarial profession

The UK pensions landscape is undergoing its most significant transformation in a generation.

Driven by the Pensions Investment Review, the Pension Schemes Act, the establishment of a new Pensions Commission and the State Pension Age Review, sweeping changes are reshaping Defined Benefit (DB), Defined Contribution (DC) and Collective Defined Contribution (CDC) schemes, as well as private, public and state pension systems.

The next five years, encompassing major legislative reform, a fundamental adequacy review (not seen since the Turner Commission in 2005) and critical decisions on retirement ages and investment strategies, could define retirement outcomes for decades to come.

Actuaries are uniquely positioned at the heart of this change as expert risk managers, long-term modellers, strategic advisers, and trusted voices for members.

In this document, The Institute and Faculty of Actuaries (IFoA) Pensions Board sets out a clear actuarial perspective: **stability throughout innovation, member outcomes first and evidence-based policy**. We pinpoint the priorities that matter most and show how actuarial expertise can deliver better results for savers, schemes, employers and the economy.

This is more than a policy paper - it is an invitation. Behind this high-level document lie detailed actuarial positions, modelling and in-depth analysis on each of the areas covered. We urge trustees, sponsors, policymakers, providers and fellow professionals to engage with the IFoA. Collaborate on modelling, join our working groups and research, and help shape the future of pensions.

Glyn Bradley
Chair, IFoA Pensions Board

Actuaries are uniquely positioned at the heart of this change.

Making change work: actuaries helping with stability and delivery

The UK pensions system is entering a period of profound change.

With the Pensions Commission interim report issued, the Pension Schemes Act enacted and multiple major reforms advancing in parallel, the next few years will set the direction for retirement outcomes for decades to come.

Actuarial value

Actuaries are expert navigators of long-term systems. We bring rigorous modelling, deep understanding of implementation complexity and practical insight into how interconnected rules affect millions of savers. Our skills in risk assessment, scenario planning and joined-up thinking are essential for turning policy ambition into workable reality.

Key priorities and recommendations:

- **Engage fully with the Pensions Commission and State Pension Age review**
  Actuaries must play a central role in work to ensure recommendations are grounded in long-term modelling, evidence and practical deliverability.
- **Prioritise stability of core principles**
  Savers need confidence that fundamental rules around contributions, tax treatment, access and state support will endure. Repeated speculation and short-term tweaks erode trust. Cross-party consensus on enduring principles is vital.
- **Build realistic implementation timelines**
  Pensions involve complex legacy systems, millions of members and deep interconnections. Government and regulators should allow sufficient lead time between final legislation and implementation dates.
- **Improve coordination across government**
  Closer alignment between DWP, HMT, HMRC and regulators will be essential to avoid conflicting requirements and ensure initiatives (such as surplus, pension dashboards, guided retirement pathways and benefit illustrations) reinforce rather than undermine each other. Actuaries excel at translating ambitious policy into robust, fair outcomes that stand the test of time.

Actuaries stand ready to support Government, the Pensions Commission, trustees and wider industry through detailed modelling, stress-testing and implementation planning. We can help deliver stable, effective change that works for members and their families.

Closing pension gaps: actuaries tackling the adequacy challenge

Pension adequacy is one of the central challenges facing the UK retirement system.

While the Pensions Commission examines the bigger picture of contribution levels, state pension design and overall savings adequacy, pension gaps represent an area where practical, targeted action can deliver meaningful progress in the near term.

Significant gaps arise from modern working lives, including career breaks, part-time work, self-employment, gig economy roles, as well as from the transfer of risk from institutions to individuals. Our *How much could you lose?* campaign, together with the IFoA report *A pension system fit for the 21st century*, combines actuarial modelling and compelling human stories to reveal how modest life events can reduce retirement income by tens or even hundreds of thousands of pounds. Both reports also set out practical, evidence-based solutions to close gaps and improve the pension system.

Actuarial value

We quantify hidden costs, model behavioural impacts, design inclusive solutions, and evaluate fairness across different demographic groups. Our evidence-based approach cuts through complexity to focus on sustainable member outcomes

Key priorities and recommendations:

(These are some of our key recommendations – we have a wider set of detailed proposals in our full work.)

- **Enable flexible auto-enrolment and auto-flex mechanisms**
  Extend coverage to self-employed and gig workers and allow for life events such as parental leave or reduced hours.
- **Support expanded CDC and Retirement CDC**
  The Pension Schemes Act provides a platform through guided retirement to accelerate collective schemes that pool longevity and investment risk. These could deliver better outcomes than traditional DC for many savers by enabling higher expected returns and more stable retirement incomes.
- **Introduce default guided decumulation pathways**
  Leverage guided retirement provisions of the Pension Schemes Act to create effective default solutions at retirement. This helps members navigate longevity and sequencing risk without needing expensive individual advice, directly addressing adequacy in the payout phase.

Actuaries are uniquely placed to design and refine these practical solutions that work in the real world. This can close preventable gaps while supporting the wider adequacy goals of the Pensions Commission.

Getting investment right: actuaries safeguarding member outcomes

Pensions investment is a critical driver of retirement outcomes.

The IFoA strongly supports increased pension scheme investment in the UK economy to support growth, infrastructure and productive assets. However, this must always prioritise the best financial interests of members, with appropriate risk management and without undermining fiduciary standards.

Actuarial value

Actuaries provide independent, long-term asset liability modelling, rigorous risk return analysis, diversification expertise, and clear fiduciary oversight. We help balance the desire for higher growth with the need for security, liquidity and sustainable outcomes across generations.

Key priorities and recommendations:

- **Protect trustees' fiduciary duty**
  We remain concerned that the investment mandation powers in the Pension Schemes Act are misguided. They risk creating conflicts, weakening accountability, and exposing savers to higher risk or lower returns than trustees would otherwise choose.
- **Favour incentives over compulsion**
  Rather than blunt thresholds (such as the £25bn megafund mandate) or arbitrary deadlines, the Government should use targeted incentives, and a reliable pipeline of investible UK projects. This encourages productive investment without the dangers of herding, reduced competition, stifled innovation or inflated asset prices.
- **Consolidation with care**
  While scale can deliver economies and better governance, forced consolidation risks unintended consequences. Market-led consolidation should continue, preserving choice and innovation where smaller schemes can still deliver strong member outcomes.
- **Broader factors (including climate)**
  Trustees should be supported to consider climate and other systemic risks where they have a material financial impact on member outcomes. This should be grounded in evidence and the best interests of savers. Actuaries ensure investments deliver sustainable, risk-appropriate returns for the people who matter most: pension savers.

Actuaries are best placed to model these trade-offs and advise on investment strategies that genuinely enhance long-term retirement outcomes while contributing responsibly to UK growth.

Helping DB schemes to thrive: actuaries supporting security and surplus

Many UK Defined Benefit (DB) schemes have seen a remarkable shift in recent years.

Improved funding levels mean surpluses are now more common than deficits, opening new possibilities for run-on, surplus sharing and full buy-out. However, challenges remain, including legacy uncertainties (such as Virgin Media), small schemes with limited options, and the need for a supportive regulatory framework.

Actuarial value

We advise on funding, surplus distribution, benefit security, longevity modelling and decumulation strategies. Our holistic view integrates funding, investment and member communication for optimal outcomes.

Key priorities and recommendations:

- **Support flexible run-on and surplus usage**
  Trustees are best placed to decide how to use surpluses (additional benefits for members, employer repayments or a combination). Clear guidance from The Pensions Regulator on fair treatment of members would help schemes make confident decisions, especially around pre-1997 indexation and tax treatment differences.
- **Resolve legacy uncertainties**
  The Virgin Media judgments have created widespread doubt over past benefit changes. We welcome the new provisions in the Pension Schemes Act.
- **Support for small schemes and those with stressed sponsors**
  Smaller DB schemes need proportionate options for investment, governance and settlement. Continued support for DB Superfunds and targeted measures for schemes with ongoing deficits will help protect member benefits.
- **Maintain support for open DB schemes**
  Schemes still providing DB accrual deliver valuable benefits. Future regulatory changes must explicitly consider and protect open schemes to avoid discouraging continued high-quality provision.

Actuaries bring the technical expertise and impartial judgement needed to help DB schemes thrive in this new era, turning improved funding into better member outcomes while maintaining security for all.

Embracing Innovation: actuaries driving better solutions

Innovation is essential to meet the challenges of the future.

From digital tools to new scheme designs and flexible saving mechanisms, fresh thinking is needed across government, providers and schemes to improve member outcomes and engagement.

Actuarial value

Actuaries are natural innovators, combining mathematical rigour with practical design expertise. We model new structures, stress-test ideas, evaluate behavioural impacts, and ensure innovations genuinely improve long-term member outcomes rather than adding complexity.

Key priorities & recommendations:

- **Accelerate new scheme designs, such as CDC and 'superfunds'**
  New scheme designs and collective models that pool longevity and investment risk can deliver better outcomes for many savers than traditional individual DC arrangements.
- **Advance pension dashboards, guided retirement and further innovations**
  Dashboards are a welcome first step towards greater engagement, but much more is needed. Strong promotion and integration with default guided decumulation pathways will help, alongside other innovations yet to be developed.
- **Develop flexible and inclusive solutions**
  Actuaries can play a leading role in designing products and mechanisms that adapt to modern working lives and life events, model their long-term impacts, and ensure they remain fair and sustainable for all groups of savers.
- **Drive genuine value for money**
  Move beyond a narrow focus on cost to emphasise net member outcomes, including investment returns, service quality, communications, and innovative strategies that genuinely improve retirement income.

Actuaries are ideally placed to design, test and refine innovation. They can work with stakeholders to turn promising ideas into practical, member-focused solutions that strengthen the entire pensions system.

Conclusion

The UK pensions system stands at a pivotal moment.

Through this document, the IFoA Pensions Board has articulated a clear actuarial vision for the future, one rooted in stability with innovation, unwavering focus on member outcomes and evidence-based policy.

Actuaries, led by the Pensions Board, bring the unique combination of long-term thinking, rigorous modelling, practical implementation insight and ethical judgement required to navigate this period of change. From making reform work effectively, closing pension gaps and getting pensions investment right to enabling DB schemes to thrive and embracing innovation, the Pensions Board and the wider profession are ready to drive and support meaningful progress.

The IFoA Pensions Board has articulated a clear actuarial vision for the future.

Institute and Faculty of Actuaries

Beijing
Room 512 · 5/F Block A · Landgentbldg Center · No. 20 East Middle 3rd Ring Road
Chaoyang District · Beijing 100022 · People's Republic of China
Tel: +86 10 6611 6828
Email: China@actuaries.org.uk

Edinburgh
Spaces · One Lochrin Square · 92 Fountainbridge · Edinburgh · EH3 9QA
Tel: +44 (0) 207 632 2100

London (registered office)
1-3 Staple Inn Hall · High Holborn · London · WC1V 7QJ
Tel: +44 (0) 207 632 2100

Malaysia
Arcc Spaces · Level 30 · Frankfurt Suite · The Gardens North Tower
Lingkaran Syed Putra · 59200 · Kuala Lumpur
Tel: +60 12 591 3032

Oxford
Belsyre Court · 1st Floor · 57 Woodstock Road · Oxford · OX2 6HJ
Tel: +44 (0) 207 632 2100

Singapore
Spaces · One Raffles Place Mall · #02-01 · Singapore 048616
Tel: +65 9424 9101

actuaries.org.uk