

Pensions Commission publishes interim report



What you need to know

- The second Pensions Commission was established in 2025 to review whether the UK pensions system remains fit for purpose for the coming decades. It follows the original Pensions Commission, whose recommendations led to major reforms, including automatic enrolment and the new State Pension.
- The Commission's interim report examines the challenges facing future retirees and identifies areas where the current system may not deliver adequate income in retirement. While it states that the pension system has a strong foundation, it argues that around 15 million working-age individuals are on course to fall short of target retirement income levels.
- The report highlights that future pension outcomes are likely to be affected by longer life expectancy, changing working patterns, declining home ownership, and increasing pressure on public finances.
- It also raises concerns about significant disparities in pension outcomes across demographic groups, low levels of pension awareness among those making retirement decisions, and gaps in provision for certain groups, particularly the self-employed.
- A final report, expected in 2027, will make recommendations for future pension policy.

The key themes of the Pensions Commission's interim report

ADEQUACY

43%

working age population
under-saving for
retirement

Although pension participation has increased substantially as a result of automatic enrolment, many individuals are still projected to have inadequate retirement incomes.

The report identifies a number of contributing factors, including a tendency to default to minimum contribution levels, increased pension freedoms leading to earlier withdrawals, lack of pension education, lower levels of personal savings, and declining home ownership.

PARTICIPATION

48%

gap in median private
pension wealth between
males and females
aged 55 - 59

The report highlights how pension outcomes are uneven across the population. Women, carers, lower earners, self-employed and some minority groups are more likely to experience lower pension wealth and reduced financial security in retirement.

This is compounded if an individual fits into more than one of the demographics listed above.

RELIANCE ON STATE

7.6%

GDP spending on state pension,
pensioner benefits and other
mandatory private saving
- a lower proportion than most
other advanced economies

An increased reliance on the State is expected over the coming decades, driven in part by many households having limited provision in the other two "pillars" of retirement income (automatic enrolment and voluntary savings).

The Commission considers the sustainability of the current State Pension in the context of rising life expectancy and declining birth rates, which will result in fewer working-age taxpayers supporting a growing retired population.

Pensions Commission - Interim Report: the finer detail

Adequacy, not just participation	The key test is whether individuals achieve an adequate standard of living in retirement. While auto-enrolment has significantly increased participation, around 15 million working-age adults are still under-saving for retirement. This highlights a central challenge in the report: how to define what constitutes an “adequate” retirement income. Traditional measures, such as replacement ratios and minimum income benchmarks, may need to be replaced with a hybrid measure to encompass the diverse needs of different earners.
Under-saving and low minimum contributions	Many individuals are under-saving, with the 8% auto-enrolment minimum unlikely to deliver adequate outcomes – particularly for median earners contributing at the minimum throughout their working lives.
The effects of retiring early	It is becoming increasingly common for individuals to leave the workforce in their 50s. Reducing the time spent accumulating a pension and longer life expectancy means more reliance will be placed on the State Pension. The report states that 42% of people access their pension pots before they are retired from employment. For many, this is to allow for reduced working hours, but the Commission questions whether there is sufficient understanding of how early access affects long-term retirement income.
Unequal outcomes and coverage gaps	The report highlights persistent inequalities in pension wealth. Women approaching retirement typically have less private pension wealth than men. Disabled people, carers and some ethnic minority groups also face a higher risk of lower retirement incomes. Only a small minority of those who are solely self-employed actively contribute to a pension arrangement.
Flexibility	Over recent decades, workplace pensions have become more accessible and flexible. However, the report questions whether individuals fully understand how their decisions affect long-term outcomes. The report notes that 48% of defined contribution (DC) pots are fully withdrawn as cash, and alongside the decline of the annuity market, this suggests that many are not planning for “income for life”. The continual decline of defined benefit provision will further affect retirement income for future retirees.
Housing, assets and generational change	The report stresses that future retirement outcomes will depend not only on pensions but also on housing, wider assets and inheritance. It warns that younger cohorts are less likely to benefit from home ownership and more likely to face housing costs in retirement.
State Pension triple lock	No immediate changes are proposed, but the report acknowledges the growing debate around its affordability and long-term sustainability.
Longer lives and system pressures	The number of people aged 75 and over is projected to roughly double between 2025 and 2075, increasing pressure on adequacy, affordability and long-term sustainability.
Pensions investment understanding	Pensions are complex and often misunderstood. The report highlights that 31% of DC pot holders were unaware their pension was invested, and over half did not realise fees were being charged. In a landscape where many future retirees rely solely on DC savings, individuals are increasingly bearing the risks of decisions they may not fully understand.
What comes next?	This interim report is intended to frame the evidence, trade-offs and key policy questions ahead of final recommendations expected in 2027.

Find out more

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