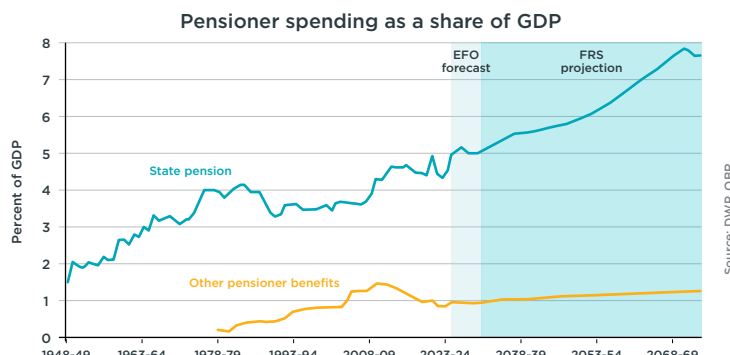


Pensions 2050: A Wake-up Call

Don't be fooled by the balanced tone of the second Pensions Commission's interim report. Within its pages is a stark warning. Catherine Fensom explains.



43%

under-saving for retirement

4%

of self-employed save into a pension

48%

of DC pots taken as full cash

2x

the over-75 population by 2075

The interim report

The interim report from the second Pensions Commission reflects on the achievements of the first, particularly the introduction of auto-enrolment. But it also argues that this success has exposed the system's next set of challenges: participation has improved, but adequacy has not followed. The first commission succeeded because it combined political consensus, simplicity and a slow introduction of change. The next stage is likely to be more contested and harder to deliver.

Adequacy

Adequacy is the report's central benchmark. Yet it remains difficult to define, as retirement needs and expectations vary markedly across households and working lives.

Even so, the report's conclusion is clear: on most measures, many workers are on course to fall short of an adequate retirement income. Specifically, around 15 million people, roughly 43% of the working age population, are estimated to be under-saving when measured against aspirational target replacement ratios.

Auto-enrolment has broadened participation, but it has also anchored behaviour around minimum contribution levels. The report implies that, for many savers, minimum contribution levels alone will not deliver sufficient retirement incomes.

Inequalities

The report is equally clear that pension inequality remains entrenched. Women, lower earners, carers, ethnic minorities, gig economy workers and the self-employed are all more exposed to poorer retirement outcomes. The self-employed remain a particularly stark example, since auto-enrolment does not apply to them. Only around 4% of those with solely self-employed income are contributing to a pension. More broadly, pension gaps mirror wider inequalities in the labour market, meaning that pension policy alone cannot close them. Meaningful progress will also depend on changes to pay, housing and employment security.

Reliance on the State

The report highlights the long-term pressure on state support as the UK's demographic balance shifts. Longer life expectancy and lower birth rates mean fewer workers supporting more retirees, alongside rising demand for health and social care. The number of people aged 75 and over is projected to roughly double between 2025 and 2075.

Interestingly, the report suggests that the nature of state support may also evolve. While reliance on Pension Credit is projected to fall over time, housing-related support is expected to increase as more retirees enter later life still renting rather than owning outright. In many ways this reflects a broader economic shift: that retirement adequacy is becoming increasingly tied not just to pension income, but to housing security.

There is also an underlying question as to whether part of the growing pressure on the state stems from insufficient, or insufficiently certain private pensions. The long-term shift away from defined benefit pensions towards defined contribution structures has expanded access and flexibility, but in doing so has transferred much of the investment and longevity risk from employers to individuals.

The report does not present this transition as a policy failure, but it does raise the possibility that less predictable occupational pensions may ultimately increase reliance on the state.

This risk is increased by the fact that many individuals do not fully understand the long-term implications of their pension decisions. The Commission notes that 48% of all DC pots are taken as full cash withdrawals. Combined with the decline of the annuity market, this suggests many people are not planning for an "income for life" when accessing their pension savings.

This Commission warns of poor pensioner outcomes and higher state reliance. This raises a challenge to current government policy and perhaps more fundamental structural reform is needed.

The goal

The aim of the second Pensions Commission is to ensure the UK pension system becomes adequate, fair and sustainable by 2050.

This goal sounds as if it should be achievable, but it depends on our action over the next few years and on whether the Commission can inspire a revival in the social contract across the country.

Beyond this article

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Interim Report?
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Your 2026
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Prepare for
change



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*Many people in the early stages of their career
assume that because they are paying into a pension,
they are doing enough to secure their financial future.*

*Looking at the findings of the Pensions Commission
made me realise that contributing is only part of the
picture, and that small changes now can have a big
impact in the future.*

Find out more

For further information, please get in touch with
Catherine Fensom or speak to your usual
XPS Group contact.



Catherine Fensom
Senior Associate

 catherine.fensom@xpsgroup.com

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