Gearing up for Guided Retirement: Turning Pots into Pensions

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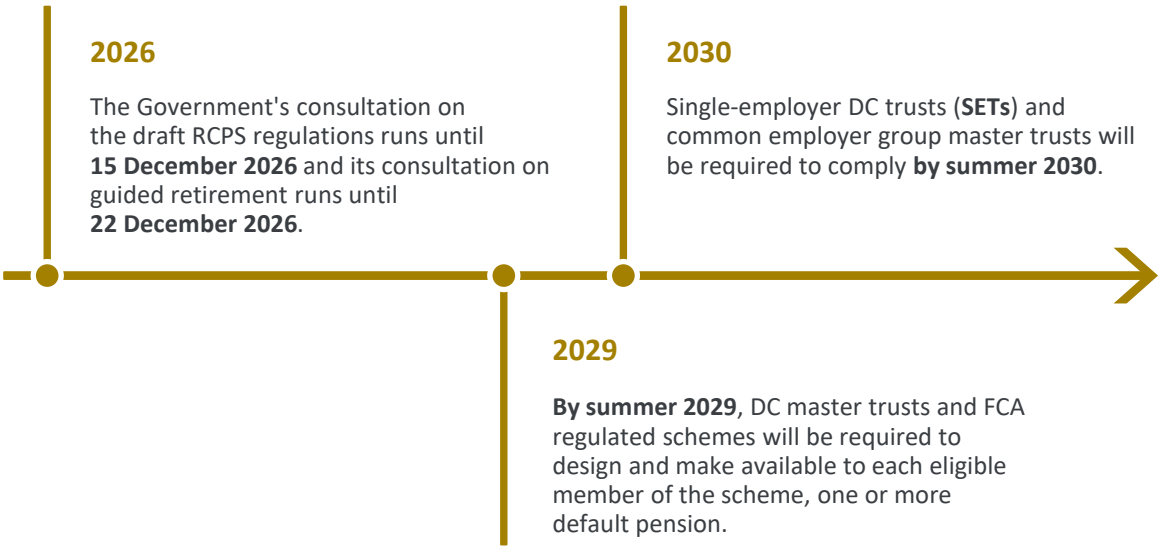
*On 3 November 2026 the Government launched two linked consultations designed to ensure that today's 17 million private sector defined contribution (**DC**) savers are given the option of an income that lasts through their retirement, with one of the ways to achieve this being the use of the new option of a Retirement Collective DC pension, or Retirement Collective Pensions (**RCPs**) as they are now to be called in a bid to make pensions industry terminology clearer and more accessible to those not familiar with it.*

The consultation papers build on the Government's policy paper published in July 2026 which set out its guiding principles for guided retirement and gives trustees and providers a much clearer sense of what they need to do to ensure they comply from summer 2029 onwards.

HIGH LEVEL TIMELINE



1. Background

Millions of people in the UK are saving for their retirement through a DC pension arrangement. In most cases they start saving after being automatically enrolled into a workplace pension by their employer without needing to make any active choice.

Since 2015, pension savers have been given "freedom and choice" when they reach retirement about how to use those savings. However, the UK Government is concerned that this leaves many people facing complex, high-stake decisions about how to use their pension savings in a way that gives them an income which lasts throughout their later life.

The Government intends to address this issue through introducing "guided retirement" duties for providers of DC workplace pensions (including trustees of occupational pension schemes and firms regulated by the Financial Conduct Authority (the **FCA**)). Under this framework, savers will be able to make their own choice about how to use their pension savings, but pension providers will need

to offer them a default pension benefit solution (a "**default pension**") designed to provide a regular income in retirement.

2. When will DC schemes be required to deliver a guided retirement solution?

The joint consultation published by the Department for Work and Pensions (**DWP**), FCA and the Pensions Regulator (**TPR**), sets out the Government's proposals for the design and implementation of guided retirement solutions in both contract and trust-based workplace pension schemes. By summer 2029, DC master trusts and FCA regulated schemes will be required to design and make available to each eligible member of the scheme, one or more default pension.

Master trusts that are intending to develop RCPs will be given a limited, conditional time extension to comply. To qualify for this extension, the trustees will need to publish a Pension Benefits Strategy (on which see 10 below) setting out their intention to provide an RCP by summer 2029 and make it available to members by summer 2030. If the RCP arrangement is not authorised and operational by summer 2030, such master trusts must offer an alternative default pension.

Single-employer DC trusts (**SETs**) and common employer group master trusts will be required to comply by summer 2030. Analysis published by TPR in March 2026 highlighted that **43%** of schemes offer no decumulation products at all, with these primarily being smaller schemes representing **1%** of total DC membership. Such schemes should ensure they understand what will be required of them sooner rather than later.

3. Which schemes will be covered by the guided retirement duty?

A summary of the schemes to which the new requirements will apply and those to which they will not is set out in the table below.

In-scope	Out-of-scope
Occupational DC schemes	Defined benefit (**DB**) schemes with additional voluntary contributions (**AVCs**)
Pure DC sections of hybrid schemes	Hybrid schemes under which members receive a combination of DC and DB or/collective defined contribution (**CDC**) benefits (although pension providers should consider whether it would be beneficial to provide default pensions (outside of a statutory obligation) if they consider it would be in the interests of the membership to do so)
All workplace FCA-regulated pension schemes whether used for automatic enrolment or not. Where they operate as workplace schemes, this will include: • group personal pensions, • group stakeholder pensions; and • group self-invested personal pensions (**SIPPs**)	"Accidental" workplace SIPP arrangements. These are described as arising where at least two relevant employees or ex-employees have made an active choice to 'set up' an individual SIPP and have selected some or all of their investments in the same arrangement
	Small self-administered schemes

In-scope	Out-of-scope
	Executive pension schemes
	Whole of life CDC schemes
	Cash balance schemes – these are schemes where members are provided with DC benefits but the amount available to provide those benefits at retirement is not calculated solely by reference to the contributions made e.g. where the scheme offers a guaranteed investment return
	Individual SIPPs and other non-workplace pensions (although views are being sought as to whether these should be included now or in future).

4. Which members are in scope?

The requirements will apply to all members of an in-scope scheme who are not already in a default pension. This will include pensioner members who have taken a pension commencement lump sum (**PCLS**) and/or are in drawdown at the date the requirements come into force.

Hybrid scheme members with a DC benefit (other than a CDC benefit) and a cash balance benefit should be eligible to receive a default pension in respect of their DC benefits.

The Government also proposes excluding deferred members with a pot worth less than the small pot consolidation threshold in place from time to time (currently £1,000). No exemption is proposed for large pots.

5. What must DC schemes and providers do to comply?

In-scope schemes and providers must design and make available one or more default arrangements for paying a retirement income to all in-scope members who do not choose an alternative.

Trustees of occupational pension schemes will be able to transfer in-scope members at retirement, with their consent, to another scheme willing to provide a qualifying default pension. This will only be an option where either:

- it is not reasonably practicable for a scheme to provide a default pension in-house, for example because doing so would be disproportionately costly or operationally challenging. This recognises that some smaller SETs may offer value for money in accumulation but may lack the resource or capability to provide high-quality default pensions; or
- trustees or managers conclude that members are likely to achieve better outcomes in another scheme. This may be because another scheme offers a default pension that is better suited to the needs and interests of those members (such as an RCP). The consultation confirms that relying on this condition does not require schemes to undertake

an exhaustive market-wide comparison or identify the best possible option. Instead, they must determine whether a default pension in another scheme would be likely to provide a better outcome than a default pension they could provide themselves.

The receiving scheme will have to be authorised by TPR under an existing authorisation regime (so a master trust or RCP). Trustees of the transferring scheme remain responsible for identifying and understanding their members' needs and interests and selecting an appropriate default pension for them. To help ensure that the selection of a receiving scheme is driven by members' needs and interests rather than existing commercial relationships, the Government proposes to require transferring schemes to consider a range of suitable receiving schemes before identifying an appropriate default pension.

Once trustees have identified a suitable receiving scheme, they will need to enter into a transfer agreement with the receiving scheme. The consultation suggests various matters that may be covered in a transfer agreement and is seeking views as to whether these should be prescribed in legislation or left to providers to determine. These are:

- roles and responsibilities: including arrangements for data sharing, service level agreements, and sharing information to inform the transferring scheme's ongoing monitoring and review of the default pension
- governance and conflict management: including the declaration and management of existing relationships, process for resolving disputes, and the arrangements for terminating or exiting the transfer arrangement
- operational processes: how the transfer process will work, including the default pension(s) to be provided and any processes for allocating individuals to specific cohorts before a transfer
- notification and change management: including how changes to the default pension, or other wider circumstances would be communicated
- costs and charges: including the costs associated with the default pension provided

The consultation also states that a transferring scheme may enter into transfer agreements with more than one receiving scheme, thereby allowing the trustees or provider to select the qualifying default pension it considers suitable for each cohort of members. Having selected a suitable receiving scheme, the transferring scheme's work is not done as it remains responsible for conducting ongoing monitoring and review that the arrangement remains suitable for future cohorts.

Trustees will also need to consider how this is communicated to members as there is no new power to transfer any member without their consent. The Government proposes that consent to transfer should be obtained at the point of access, being when an individual agrees to start receiving payments from their default pension.

6. How to design or select a default arrangement or arrangements

The Government intends to incorporate many of the elements of the FCA's targeted support framework into its proposals for how guided retirement would operate. Under the targeted support regime, FCA-authorised firms can make suggestions designed for groups of consumers with common characteristics, to help them make financial decisions in relation to DC pensions and retail investments (see: WHiP 121).

The Government proposes that pension providers will take the following steps when designing default pensions:

- **Collecting information about the generality of members** (e.g. through surveys, analysis of existing member data and testing). The consultation does not set out what additional information schemes may need to collect but they are unlikely to hold information such as household income and wealth, housing tenure, financial dependants and may also not hold up-to-date data on marital status, all of which could be relevant when designing or selecting defaults that best meet members' needs and interests. Where attempts are made to contact the membership to obtain that information (e.g. through surveys) it will inevitably be incomplete and risks quickly becoming out of date. Therefore, in practice, schemes may have to rely on information already held, which they can reasonably infer or which can reasonably be obtained via third party research such as data from the Office of National Statistics or DWP.
- **Determining needs and interests** of their membership for retirement.
- **Identifying distinct cohorts** of members, based on shared needs and interests (noting that pension providers may need to make assumptions, e.g. actuarial assumptions concerning the delivery of longevity protection). Information which may be of assistance here include members' geographical locations, sex and local and national health data.
- **Determining the design of default pensions** to match the shared needs, interests and characteristics of the cohorts (having assessed the decumulation options available in the market).
- **Identifying data needs and pre-designing questions** to enable them to allocate individuals to cohorts when they access their pension (e.g. using decision-trees and standardised questions).

7. What must a default pension provide?

The consultation proposes various mandatory design requirements as well as non-mandatory design considerations which trustees and providers must take account of when choosing their own default arrangements or when selecting a receiving scheme to receive transfers of in-scope pensioners where an in-house solution will not be provided.

Design requirements	Design considerations
• Protection against longevity risk (on pots above £10,000) • Single point of consent • Cooling-off periods (i.e. a period of time between consenting to the default pension and payment being made) • Pre-designing parameters (e.g. how much flexibility an individual can have within a default pension, limitations on withdrawals)	• Protection against inflation risk • Flexibility including the extent to which individuals can exit their default pension if their circumstances or preferences change • Protections for default pensions with irreversible elements • Making effective use of pensions

Design requirements	Design considerations
	• Features of existing scheme design which could provide valuable benefits in retirement • Spousal or dependant protection • Broad market assessment of options, which must include consideration of whether an RCP would be an appropriate default pension for their membership (or cohorts).

Mandatory requirements

- **Longevity risk**: The government is requiring default pensions to be designed to protect against longevity risk on pots above £10,000 after PCLS withdrawal. This means that pension providers cannot set an upper life expectancy or target date at which the longevity protection would expire in their default pension design. In setting the threshold, the consultation notes that a **£10,000** pot would currently enable someone aged 65 who is a non-smoker and otherwise in good health to purchase an annuity paying **£600** to **£750** p.a. which could provide a useful regular income in retirement alongside the State Pension.

  However, as pension providers will need to design default pensions which will provide protection against longevity risk without individuals needing to make further choices, it is the Government's view that default pensions cannot be designed in a way that would require an individual to purchase their own individual annuity, including through annuity brokerages. It is also of the view that a drawdown strategy alone cannot deliver an income for life but a "flex and fix" solution involving managed drawdown combined with an annuity to protect later life payments could provide longevity protection.

  Other options mentioned in the consultation that could provide longevity protection include RCPs and the use of bulk purchase annuities including bulk deferred annuities. The Government is keen to hear from providers considering other new and innovative approaches that could provide such protection.

- **Single point of consent**: The Government proposes that members will consent once when they first ask for their pension to be paid. That consent will cover every phase of the default. However, before any irreversible step is completed e.g. buying an annuity or transferring to an RCP, the scheme will have to use its best endeavours to re-engage the member.

  Where a scheme offers more than one default, the member would then go through the pension provider's pre-designed steps and questions so that they can be allocated to a specific cohort (see 8 below). Once the individual has been presented with their default pension and the provider has undertaken any additional steps required, the member will either provide their bank details and agree to start receiving payment via the default pension or not agree and choose to do something different. If the individual makes no further contact, their funds remain invested.

- **Cooling-off period**: The Government proposes introducing a mandatory minimum 30-day cooling off period before schemes can implement a member's default pension and invites views on this.

- **Setting parameters**: Pension providers must set out parameters for the default pensions they design. This should include aspects such as how much flexibility an individual can have within a default pension, whether any additional withdrawals are permitted, whether any restrictions apply to making withdrawals over and above the rate set by the provider and whether the pension provider would allow the use of any discretionary spending pots. The parameters, including any limitations, must be clearly communicated to individuals.

8. Allocating members to a cohort when they access their pension

Where trustees or a provider chooses to have more than one default solution available to different cohorts of their members, they will be required to ask individual members questions at the point of access to allocate them to the appropriate cohort. Individuals must, initially, be allocated to one default only. Consequently, providers must design their cohorts and questionnaires, so they are mutually exclusive and only match an individual to one specific cohort. It is unclear from the consultation what type of questions the Government is expecting trustees and providers to ask of individuals at this point.

What DWP don't expressly say (but arguably seem to be implying) is that providers should be asking about a member's health, debt levels and personal circumstances, including, for example, whether religious beliefs mean that the member would favour a Sharia-compliant default solution, in order to account for these circumstances "as far as possible". This seems to be in direct tension with keeping the questions simple and may be considered intrusive. All in all, we hope the Government will provide greater clarity on this point or confirm that it will be covered in future regulatory guidance.

9. Member journey and communications

The communications framework for guided retirement will aim to:

- help members understand how default pensions operate (including that a pension should provide an income in retirement and its key implications and limitations) and how they have been allocated to a particular cohort; and

- enable members to make other informed choices if they wish, by ensuring they have sufficient time and information, including signposting to guidance services including MoneyHelper and Pension Wise, and advice including targeted support, where available.

The Government proposes to build on existing requirements to deliver this framework, including the Consumer Duty in the case of FCA regulated schemes and duties to act in members' best interests and to existing governance, disclosure and communication requirements that support member engagement and decision-making in the case of trust-based schemes.

There are detailed proposals for member communications on joining, when providers first become subject to the new requirements, during accumulation, when taking a PCLS, as they approach the point at which they may access their pension savings, at retirement and during decumulation. For occupational pension schemes, it is proposed that retirement-focused communications will begin five years before normal minimum pension age.

The Government also expects pension providers to provide impartial guidance to support members in deciding whether to consolidate their pot before access, with the aim of encouraging them to consider their overall pension position before making retirement decisions.

The Government is also working closely with the Financial Reporting Council (**FRC**) to explore the development of standardised approaches to pension illustrations, including for common forms of decumulation (including RCPs) and for individuals during the decumulation phase.

10. Governance and Pension Benefits Strategy

Trustees of DC schemes will need to determine, review and revise a Pension Benefits Strategy (**PBS**), setting out how they will:

- identify and carry out the steps needed to understand the needs of eligible members;
- design or identify default pensions that take account of those needs; and
- communicate effectively with eligible members about their default pension.

The PBS will document the evidence underpinning trustee decisions, demonstrating how they have applied their existing duties and the guided retirement requirements. Trustees will be required to publish the PBS (alongside evidence about their membership and how trustees have taken account of the design considerations) and provide the PBS on request to TPR and any member. TPR will determine the format of the PBS and the Government proposes that it will include a summary to help members understand it.

Trustees will need to review their PBS and default pensions at least every six years, and also when specified events occur (e.g. a significant change in the scheme's membership or market developments or innovations that increase the range of default options available to members).

The FCA will consider introducing an equivalent requirement for contract-based schemes, summarising how default pensions have been designed or identified for the purpose of consumer understanding.

The Government plans to extend the value-for-money regime to decumulation in the future and is seeking views as to whether charge caps should apply to default pensions other than RCPSs.

11. Using RCP as a default pension

Alongside its guided retirement consultation, the Government also published a response to its 2025 consultation on retirement collective DC schemes, now to be known as RCPs, together with a consultation on draft regulations to extend the unconnected multiple-employer collective DC (**UMECDC**) legislative regime which came into force on 31 July 2026 to RCPs. The Government has decided to largely go ahead with the proposals it originally consulted upon in October 2025 which we covered in WHiP 119. Key points for those considering whether to use an RCP as a default pension include:

- Only authorised master trusts and UMECDC schemes will be able to offer an RCP. RCPs will not be required to meet the scale requirement of having at least £25bn in assets in their main default pension by 2030. For master trusts who have an RCP, the £25 billion requirement will apply to the main default arrangement used for automatic enrolment accumulation.

- Guided retirement will initially be the only route through which members can access RCPs. The Guided Retirement consultation proposes that trustees should be required to consider whether an RCP is right for cohorts of their membership as part of their design consideration. It also proposes prohibiting administration charges from being imposed in respect of transfers undertaken to provide a default pension.
- DB members will not be able to transfer to an RCP. Partial DC transfers will be permitted and once an individual is a member of an RCP, they will be able to transfer in other DC pots. Legislation under a future Finance Bill will amend the conditions under which an individual may keep their protected pension age or scheme-specific lump sum protection following a transfer. It will not be possible to move members to an RCPS via a bulk transfer without consent due to concerns over the potential for member harm.
- The only payments that will qualify a member to RCP benefits are transferred-in DC rights or pension credit rights which must be transferred-in on an actuarially equivalent basis. RCPs are intended for members who upon joining have retired or are about to retire and no ongoing contributions from employment can be made. However, there is nothing in the draft regulations that requires RCP benefits to be paid immediately post-transfer-in.
- Charges will be capped at 0.75% per year of the collective fund, rather than individual pots. RCPs will be permitted to either use a collective single charge (expressed as a single annual percentage of the assets held in the collective fund) or a collective combination charge, comprising a collective percentage charge on the assets of the collective fund plus a flat fee of up to £25 per member per year.
- As announced in the Budget and covered in HMRC's Pension Schemes Newsletter 186 the Government will introduce legislation to enable individuals who start receiving a pension under an RCPs to convert that pension to flexi-access drawdown within a period of one year of their pension commencing, if the RCP chooses to provide that option under their scheme rules.

12. Compliance and enforcement

The Government will use the power in the Pension Schemes Act 2026 to introduce regulations to secure compliance with the guided retirement requirements, including allowing TPR to issue compliance notices, third-party compliance notices and penalty notices. The statutory maximum for failing to comply with a notice or directly breaches the guided retirement provisions is **£10,000** for an individual and **£100,000** in any other case (for example, corporate trustees). The regulations will, however, preserve TPR's ability to respond proportionately according to the nature, impact and circumstances of a particular failure, rather than creating an inflexible escalation process.

The FCA will set new conduct standards for relevant firms to meet when designing and delivering default pensions, and firms will be subject to existing requirements (e.g. to ensure they have appropriate systems and controls in place and they are delivering good outcomes for consumers).

13. Implementation timetable and next steps

Significant further work is needed to finalise and implement these proposals:

- The Government's consultation on the draft RCPS regulations runs until 15 December 2026 and its consultation on guided retirement runs until 22 December 2026.
- The Government intends to consult on the draft regulations on guided retirement between July 2027 and September 2027 (alongside an FCA consultation on its draft rules).
- TPR plans to consult on its guidance sometime between April 2028 and June 2028.
- The final guided retirement regulations and FCA policy statement will be published between July 2028 and September 2028.
- The FRC's standards of pension illustrations are intended to be published between July 2028 and September 2028.
- RCP regulations are expected to be laid in Q4 2027, with legislation and TPR's code coming into force and authorisation opening in Q4 2028, meaning the first RCP schemes could be authorised between April and June 2029.

Where master trusts and FCA-regulated workplace pension providers are already designing new solutions to meet these requirements, they should:

- evaluate the steps they have taken to understand the **needs of eligible members** (e.g. demographics, pot size, current trends in accessing pension savings, data quality), and whether these are in line with the Government's expectations
- assess whether their propositions for default pensions meet the Government's proposed **design requirements** and whether they have considered the proposed design considerations and the needs of their membership
- engage with trustees of DC schemes concerning potential **partnering arrangements** and transfers at the point of access
- develop their plans for **communicating** with eligible members to ensure these meet the needs of their members and are in line with Government objectives and proposals for member journeys
- consider the **evidence** available to underpin their decisions, and whether this is sufficient to demonstrate compliance with the new framework
- in the case of occupational pension schemes, consider what steps are needed to document their **Pension Benefits Strategy**
- in the case of contract-based schemes, determine what safeguards are needed to ensure they meet their obligations under the **Consumer Duty.**

Trustees of trust-based DC schemes should:

- determine **which members fall within the scope** of their guided retirement duties

- consider whether they intend to provide their own default pension, or **whether to partner** with another scheme. In doing so, they will need to consider the needs of their membership, evaluate their own capabilities, and assess whether other providers' default pensions would provide a better outcome for their members
- where they decide to partner with another provider, consider **how that arrangement will be documented and communicated** to members, including their approach to seeking member consent for transfer
- consider the **evidence** available to underpin their decisions, and whether this is sufficient to demonstrate compliance with the new framework
- consider what steps are needed to document their **Pension Benefits Strategy**
- consider whether their intended approach to guided retirement has any further implications for **benefit design and investment strategy** of the scheme during accumulation

Employers should:

- engage with the trustees of their own schemes and any external pension providers to understand how they intend to comply with their guided retirement duties and assess whether the default pension propositions meet the **needs of their workforce**
- consider where any further changes are needed to their **wider benefit packages** to reflect the approach to default pensions (e.g. adjustments to financial wellbeing support and education).

OUR THOUGHTS

The Government's proposals have received strong criticism in certain parts of the press, with the Times in particular launching its Stop the Pension Power Grab campaign in a bid to stop what it has called the "*nanny state retirement revolution [that is] coming for your pension*". However, what headlines such as these ignore is that the vast majority of DC members already have a default at retirement, which mainly involves members taking their entire pot as cash. It also ignores the fact that under the draft legislation, members will have the option to choose a different default offered by their scheme or provider. Furthermore, under current legislation, they have the right to transfer their benefits out to a different scheme that until such time as they designate their pot for payment of a drawdown pension or purchase an annuity or insurance policy.

There are areas of the proposals that need further thought. That is inevitable with any fundamental change in pensions policy and the purpose of consultation. Areas that require further consideration include the single point of consent, the granularity of the information that trustees and providers will need to obtain from members when allocating them to a default pension and how trustees can provide impartial guidance to support members in deciding whether to consolidate their DC pots before access without risking giving financial advice.

A **l**egal point that need**s** consideration **is** whether the legislation will provide trustees with statutory protection from claims of breach of fiduciary duty and maladministration where they have complied with the guided retirement requirements.

Nevertheless, the evidence shows that members understand and want a steady income stream in retirement in the same way they receive a steady income stream during their working lives. The proposals are a foundation from which the industry can build and whilst the income stream a default pension will provide for today's DC retirees may not be significant, it will evolve to become so in future as the UK starts to see a generation of full working life automatic enrolment savers, solely reliant on DC pensions.

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