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Guided retirement and RCPS

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Guided retirement and RCPS

The most interesting legal part of the Pension Schemes Act

20 years of DC evolution: from accumulation to outcomes

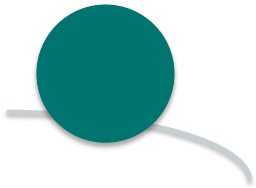


2006

A-Day

Accumulation

Building pension wealth



2015

Freedom & Choice

Flexibility

Access & control



2027+

Guided Retirement

Outcomes

Better retirement decisions

The policy focus has shifted from building pension wealth, to providing flexibility, to improving retirement outcomes.

Draft regulation – What is coming

The proposed regime requires a cohort-based default pension with longevity protection embedded

The member must consent to enter, but the scheme or provider must design, allocate and govern the complete retirement-income journey.

1 Default pension
A pre-selected retirement-income route for each eligible member, designed for a cohort rather than as individual advice.

2 Allocation for everyone
Each eligible member is assigned one specific default, including non-engagers, using simple questions and reliable facts such as age and pot size.

3 £10,000 longevity threshold
Above £10,000 after pension commencement lump sum, combined relevant DC pots with the same provider must support income indefinitely.

4 Managed end-to-end journey
Drawdown alone is unlikely to qualify. Potential designs include flex-then-fix, flex-and-fix, bulk or individual annuities and Retirement Collective Pensions.

5 Choice and consent preserved
No pension starts automatically. Members actively consent, may reject the default and can select another retirement option.

6 Accountability remains
Trustees and providers retain responsibility for selection, due diligence, monitoring, communications, value and member outcomes, including when outsourcing or transferring.

Practical implication: this is a product-design, governance, administration and communications regime, not simply a new disclosure duty.

Four principles shape the rules; staged implementation is proposed from 2028 to 2030

The timetable is indicative and remains subject to consultation, secondary legislation, FCA rules and Parliamentary approval.

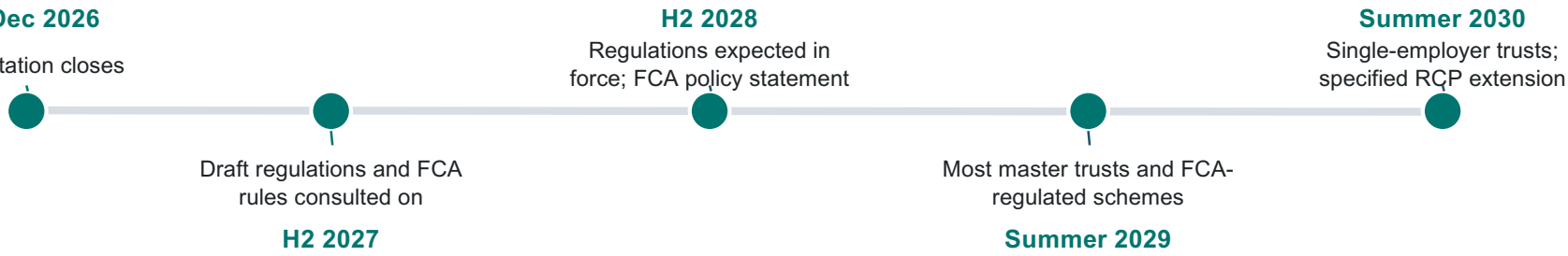
01
Simple decisions
Members should not have to navigate complex retirement choices.

02
Longevity protection
The default should protect against the risk of outliving retirement assets.

03
Freedom of choice
Members retain Freedom and Choice and may select another route.

04
Single consent
One consent should cover the full default, including later irreversible phases.

INDICATIVE IMPLEMENTATION TIMELINE



Planning message: treat summer 2029/30 as the go-live deadline; member research, delivery-model decisions and procurement need to start well before final rules.

Emerging provider solutions to guided retirement

Different answers to the trade-off between flexibility, certainty and lifelong income

01 FLEXIBILITY FIRST

Managed drawdown

Provider sets investment and withdrawal methodology, monitors sustainability and adjusts income.

Strong operational readiness, but no standalone longevity protection.

02 FLEX NOW, SECURE LATER

Flex then fix

Managed drawdown in early retirement, followed by a lifetime annuity or secured income at a set later age.

Pragmatic fit for integrated workplace, drawdown and annuity providers.

03 INCOME FLOOR + GROWTH

Flex and fix

Part of the pot secures lifetime income at or near retirement; the balance remains invested in drawdown.

Certainty from day one, but more complexity and less liquidity.

04 POOLING FOR LIFE

Retirement Collective Pension

Assets and longevity risk are pooled to provide trustee-managed variable income intended to last for life.

Potential long-term efficiency, but dependent on new rules, scale and member confidence.

How the four models compare

No model dominates every dimension; provider capability and member cohort will determine fit

MODEL	INCOME CERTAINTY	FLEXIBILITY	LONGEVITY PROTECTION	GROWTH EXPOSURE	OPERATIONAL READINESS
Managed drawdown	Low	High	No, unless supplemented	High	High
Flex then fix	Medium initially; high later	High initially; low later	Yes, after transition	Medium–high initially	Medium–high
Flex and fix	High for secured portion	Medium	Yes, for secured portion	Medium	Medium
Retirement Collective Pension	Variable, not guaranteed	Low–medium	Pooled lifetime income	High	Emerging

Read-across: integrated insurers are best placed for blended models; collective solutions offer a longer-term challenge once the regime and scale develop.

Trustees – opportunities and challenges

The opportunity is governance, scale and a clearer member journey. Delivery depends on data, operations and long-term accountability.

OPPORTUNITIES

1. **Governed pathway** A credible route for non-engaged members
2. **Membership-led design** Use age, pot size, retirement timing and secure income evidence
3. **Institutional scale** Negotiate charges and access drawdown, annuity or RCPS solutions
4. **Better journey** Cohort allocation, one consent point and clearer ongoing communications

EXECUTION CHALLENGES

1. **Incomplete data** Other pensions, health and household circumstances are often unknown
2. **Advice boundary** Defaults are influential but are not personal recommendations
3. **Operational risk** Multiple pathways increase allocation, consent and communication failure points
4. **Long-term monitoring** Track income resilience, volatility, charges, opt-outs and vulnerable-member outcomes

Likely approach: one adaptable default for the broad middle, proportionate treatment for small pots, and extra pathways only where evidence demonstrates a materially different need.

DELIVERY CHOICES

Most schemes face a build, partner or consolidate decision

Single-employer trusts are expected predominantly to use a transfer route, but the principal scheme still owns selection and ongoing suitability.

BUILD IN-SCHEME

- Create and govern the default
- Procure longevity protection
- Operate income, controls and MI

Best fit where scale, capability and governance justify the fixed cost.

PARTNER / TRANSFER

- Select a qualifying provider
- Transfer with member consent
- Monitor suitability for future cohorts

Likely route for many single-employer trusts; requires whole-market due diligence.

CONSOLIDATE

- Move to a master trust
- Transfer governance and operations
- Retain sponsor oversight of outcome

Pragmatic where standalone compliance is uneconomic or operationally fragile.

No model removes accountability: governance must cover due diligence, roles, service levels, value and member outcomes.

Member benefits

The principal benefits are:

1. lower charges and more pension retained;
2. avoidance of an unnecessary transfer into a SIPP;
3. a governed rather than self-directed investment and withdrawal strategy;
4. protection against running out of money;
5. better tax and withdrawal sequencing;
6. continued access to institutional investment and scheme governance;
7. simpler retirement decisions for non-advised members; and
8. potentially better access to annuity or collective purchasing power.

Legal duties to be shaped?

Wording of the legislation / regulations

How should the duties work?

I am….

(1) A trustee of an own trust scheme

I am….

(2) A pension provider

I am….

(3) A trustee of a master trust

I am….

(4) An employer?

I am….

(5) A regulator

Guided retirement and RCPS

Questions / Discussion

… and Actions

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