The high street revolution:

Will building pension megastores solve the DC savings challenge?

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Introduction

A brown parcel on a doorstep is a hallmark of the modern age. As online retailers began their extraordinary growth, those paper parcels have taken on a new connotation. Each is a small reminder that the high street, as we once knew it, is fundamentally changing.

However, the end of the way we traditionally shopped means the start of green shoots elsewhere. Small businesses are discovering new markets online, and the UK's high streets are finding different purposes.

Transformation is happening everywhere in our society, in large part thanks to advances in technology, and the UK pensions industry is no exception.

First, we saw a shift away from defined benefit (DB) pension schemes into defined contribution (DC). Next, auto-enrolment helped millions of savers start saving for their retirement. Then *Pension Freedoms* radically altered how retirees drew money from their pensions. Now, the government wants to transform the shape of the market again.

At the centre of this pensions transformation agenda is a bold ambition: to reshape the fragmented DC market by consolidating schemes into a smaller number of large-scale 'mega-funds'. These vehicles, it is argued, will be better run, more efficient, and more capable of investing in long-term UK growth.

It is an appealing vision: one that promises to modernise a market criticised for its complexity and cost. However, boldness in design is not the same as success in delivery. Our most recent research shows that the industry is broadly supportive of the idea of change – but it does have concerns over the right way to deliver it for members.

Consolidation – especially at a rapid pace – will have momentous implications, both for members and the industry which serves them. The government's vision for DC pensions evokes the image of a revitalised high street: fewer shops, bigger brands, clearer signage.

The pensions 'high street', like its retail counterpart, is always evolving – over the past decade, the market has adapted in response to new technologies, regulatory shifts and the changing needs of savers. The question now is whether consolidation, done at pace, supports that evolution – or risks undermining it.

Altus Consulting's March 2025 survey on this topic paints a picture of cautious realism – one that remains highly relevant following the government's final report on the Pensions Investment Review and the expanded Mansion House Accord. While these announcements confirm a clear policy commitment to scale and productive investment, many respondents were unsure whether the proposed timelines are achievable in practice, or whether the reforms will consistently deliver improved outcomes for members across the market.

Our research paints a picture of an industry that recognises the benefits of scale but fears the impact of uniformity. Stakeholders worry that in pursuing this path, investment choice will be eroded, members will be further distanced from their pensions, and innovation will be stifled by the need to keep up with the herd. The government's own research suggests that, in the median scenario, a greater allocation to private markets would yield only modest improvements of £5,000 versus a baseline total pot value of £259,000[1] – an outcome that is unlikely to be seen as sufficient to justify the increases in both cost and risk that investing in these markets is likely to involve. The fear is not of change, but of the wrong kind of change – one that puts the system's shape ahead of its substance.

This paper explores how this transformation could be successfully delivered, and why having member outcomes at the forefront of every decision is so important.

There are lessons to learn from abroad. Australia has already walked this path, and its experiences highlight the benefits and risks of large-scale consolidation. Australian pensions expert Paul Watson calls members "the light on the hill"[2]. This raises an important challenge: how can we ensure members remain the guiding light informing the UK's future direction of travel?

We also examine where consolidation is already taking hold in the UK, and the practical frictions it is creating. From administration and investment strategy to legal complexity and governance strain, the challenges are real – and growing.

Finally, we look forward. What kind of pensions landscape do we want to create? What principles should guide us through this transition? And how do we ensure that, as we reshape the high street, we leave something behind that works not just at scale, but for savers?

1. Source: *Pension fund investment and the UK economy*, November 2024, DWP, p. 27
2. Please refer to Chapter 2, p. 12 of this report for our full conversation with Paul Watson

Chapter 1: Bricks, mortar and member outcomes

Leaving the high street: A route to better value?

UK pension savers are under-saving for their retirements. Just under half of the working population will fail to meet the retirement income targets set out by the 2005 Pensions Commission, according to research[3] by the Pensions and Lifetime Savings Association (PLSA). The problem will only worsen as defined benefit (DB) pensions provision tapers off entirely and generations start to retire with only their DC savings to rely on. Savers need more support to reach comfortable retirements; at present, many in the industry fear we are sleepwalking into a retirement crisis.

Outside of cost reductions, there are two main levers to pull to improve retirement outcomes for future generations. The first is increasing contribution rates – vital, but a difficult pill to swallow for employers and employees, especially in uncertain times. The second is investment returns. The government's consolidation agenda is underpinned by a clear belief that scale is the route to value. Its *2024 Unlocking the UK Pensions Market for Growth* consultation proposed that a smaller number of larger schemes will improve governance, lower costs, and unlock access to private markets – all while reciprocating the government's efforts to push money into pensions and supporting long-term UK growth.

While previous initiatives focused on soft nudges, the current policy agenda signals a move toward a more directive approach – introducing minimum scheme sizes, reducing the number of default funds, and encouraging bulk transfers. The underlying message is clear: schemes that fail to grow will be expected to consolidate into larger vehicles.

Ask the industry

- With change on this scale, it is essential to scrutinise the outcomes it seeks to deliver – and the likelihood of those outcomes being achieved in practice.
- To test this in March/April 2025, we conducted an anonymised survey of 56 senior industry stakeholders from both the demand and supply sides of the market – including trustees, scheme decision-makers, providers, consultants, and industry bodies.
- At the time, respondents were reflecting on the proposals set out in the Pensions Investment Review: Unlocking the UK Pensions Market for Growth consultation. Since then, many of those proposals have been confirmed in the *Pension Investment Review: Final Report* and embedded in the *2025 Pension Schemes Bill*.
- As a result, the findings remain highly relevant. They offer good insight into how the industry perceived the core measures – such as the introduction of minimum scheme scales, restrictions on default arrangements, and the wider push toward productive finance – prior to their formal adoption.
- The survey was primarily quantitative, but participants were also invited to provide open comments. We draw out both quantitative results and a selection of qualitative insights in this report.
- We asked participants to rate the importance of nine key outcomes commonly associated with consolidation – including improving long-term returns, protecting value for members, and increasing investment in UK-based assets (see Figure 1).
- We also asked how confident they were that each outcome would be delivered under the current plans.
- Finally, we explored a range of views on specific measures now included in the government's reform package.
- Please note that where numbers do not add up to 100 in charts, this is due to rounding.

3. Source: *Five Steps To Better Pensions:Final Report*, October 2023, PLSA, p. 7

Industry doubts plans will hit their mark

Respondents overwhelmingly believe that protecting and delivering value for members is of critical importance. But our research highlights a sharp divide between the outcomes the industry values and what it believes the reforms will actually deliver (Figure 1).

Across both demand-side (trustees, independent governance committees (IGCs), employers (Figure 2)) and supply-side (providers, consultants, industry bodies (Figure 3)) groups, there was clear alignment on the top five most important outcomes – yet consistently lower confidence that those outcomes would be realised under the current proposals.

Figure 1: Pension outcomes – Importance of outcome being delivered vs confidence in its delivery by proposals (All respondents - average score - 1 = very low/ 6 = very high)

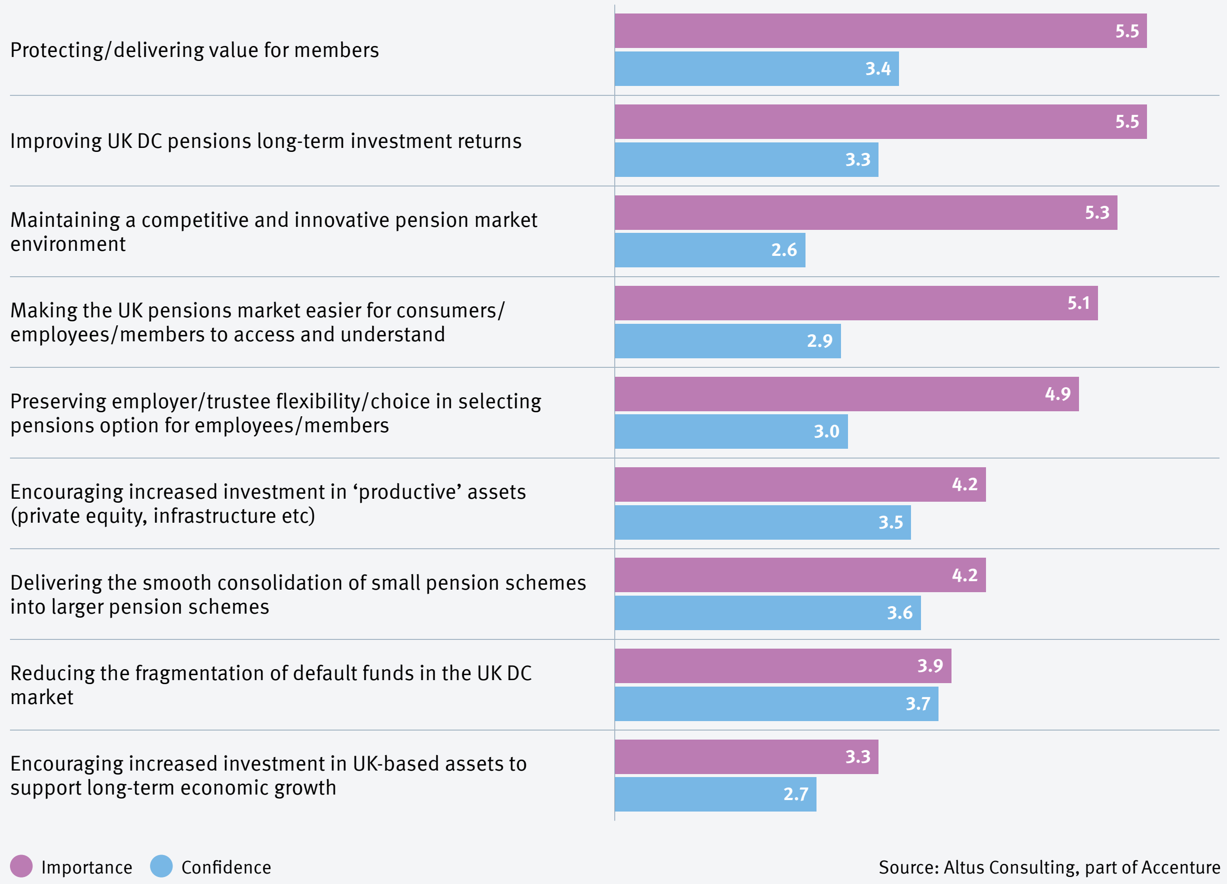


Figure 2: Top 5 important outcomes ranked by 'demand side' respondents vs confidence in delivery scores (Average score -1 = very low/ 6 = very high)

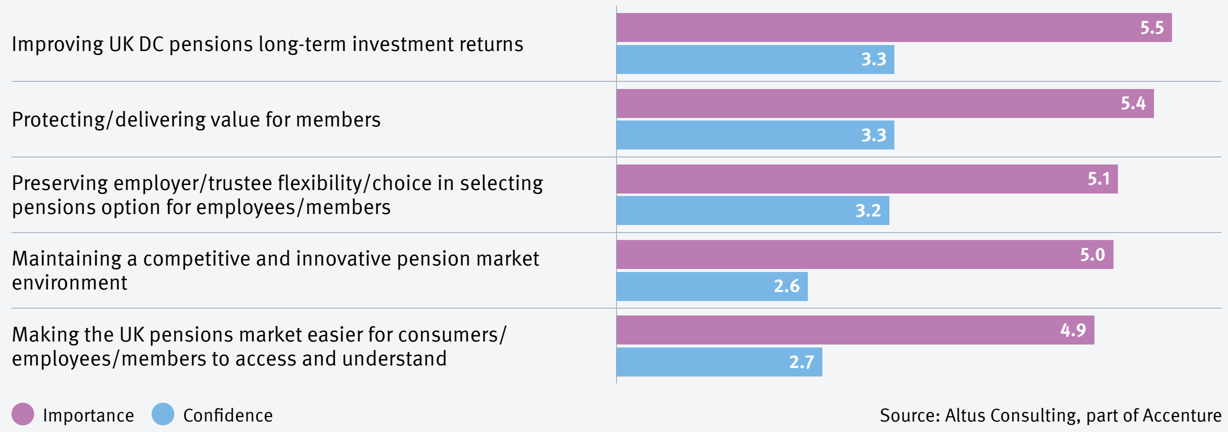
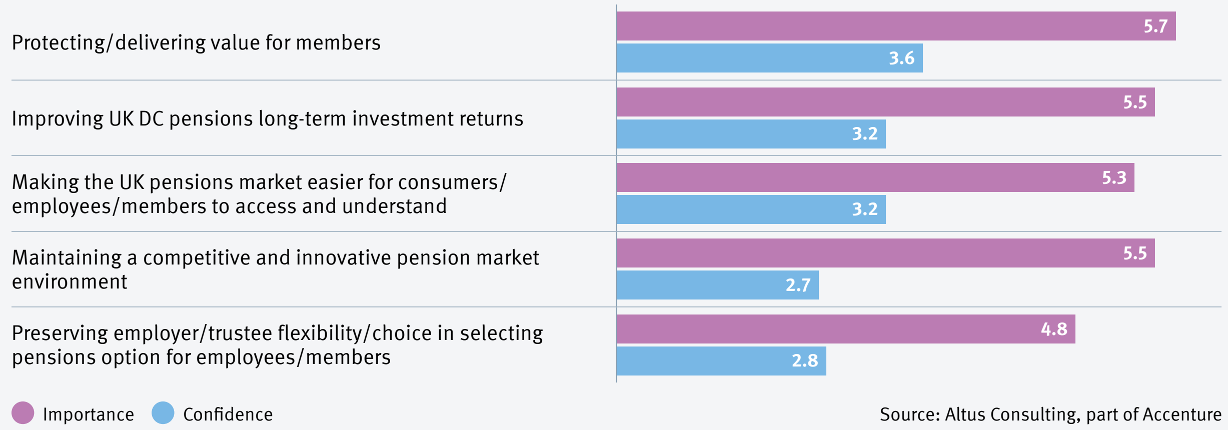


Figure 3: Top 5 important outcomes ranked by 'supply side' respondents vs confidence in delivery scores (Average score -1 = very low/ 6 = very high)



In the qualitative feedback we collected, concerns were raised about the tight coupling between pensions policy and domestic economic objectives. Asked to rate the importance of DC schemes increasing their investment in UK assets to support long-term economic growth, respondents were divided. A quarter rated this as a low priority and 45 percent rated it as a high priority.

> "My feeling is that the priority behind these proposals is boosting the UK domestic economy, rather than savers' pensions pots."
>
> **Industry Body Employee**

Even those more sympathetic to the aims of the pension reforms expressed doubts about delivery. In the survey's qualitative comments, some pointed to pipeline issues in UK infrastructure.

> "What makes the UK more attractive than similar investments elsewhere? Our track record of delivering on big projects isn't great. Potential speculation on start-ups will always involve a mixer of success and failure - does fiduciary duty extend to such risky investments? If there is government underwriting, perhaps it's something to look at more closely."
>
> **Single Employer Trustee/Decision-maker**

Others noted that achieving the desired scale will likely require legislative changes – including powers to transfer members without consent – and questioned whether those changes would arrive in time.

Moving to the megastore: It's better value, but will members know it?

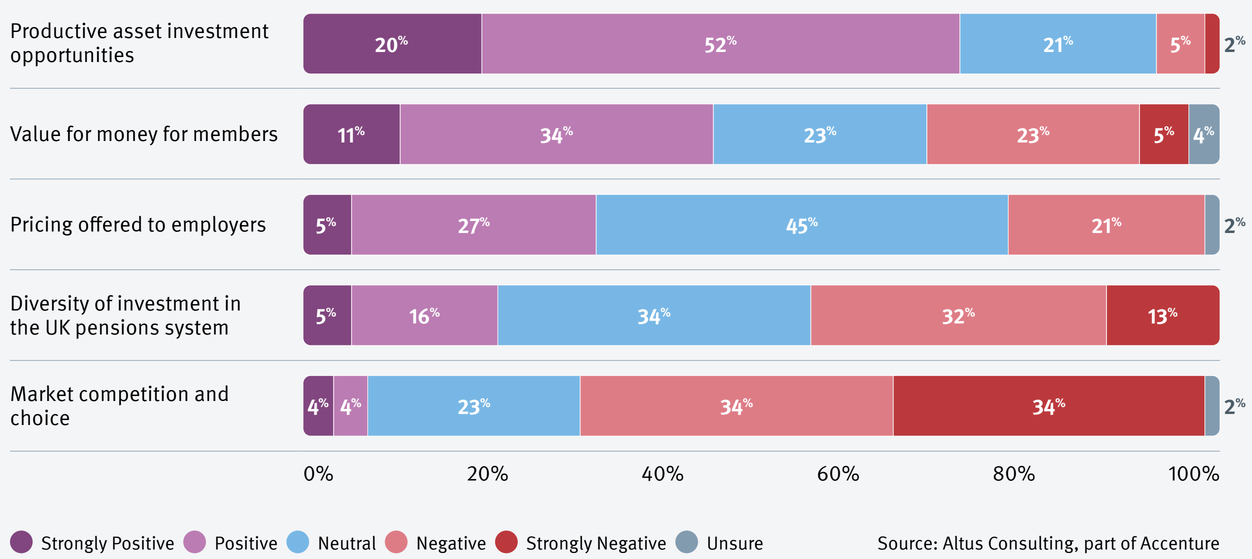
At the heart of the government's legislative agenda for pensions lies a powerful idea: that scale will unlock better value for members and unlock significant productive investment for the UK economy. Imposing minimum thresholds for scheme assets under management and driving the industry toward larger entities is seen as a way to reduce per-member costs, support more sophisticated investments, and deliver more consistent governance.

On the surface, the principle has traction. Respondents to our survey acknowledged both the potential benefits of scale and the trade-offs that might come with it.

> "There will in future necessarily be less choice but probably better choices – and a smaller but higher quality choice set is almost certainly a good thing for savers."
>
> **Industry Body Employee**

When asked directly about the benefits of introducing assets under management (AUM) minimums, more than 70% of respondents felt it would support greater investment in productive assets. Nearly half (45%) believed it could help deliver better value for members – a notable, if not overwhelming, level of support (Figure 4).

Figure 4: Impact of government introducing AUM minimums
(All respondents, % choosing each option)



The survey also reveals a clear view that better long-term outcomes require more than just greater efficiency – and that scale alone does not guarantee them. Respondents rated improving long-term returns, protecting member value, and maintaining choice and flexibility among the most important goals of reform (Figure 5). Yet confidence that these outcomes would be delivered under the current approach remained markedly lower. The gap suggests a deeper scepticism about how value is defined and pursued – and whether size alone is the right route to securing it.

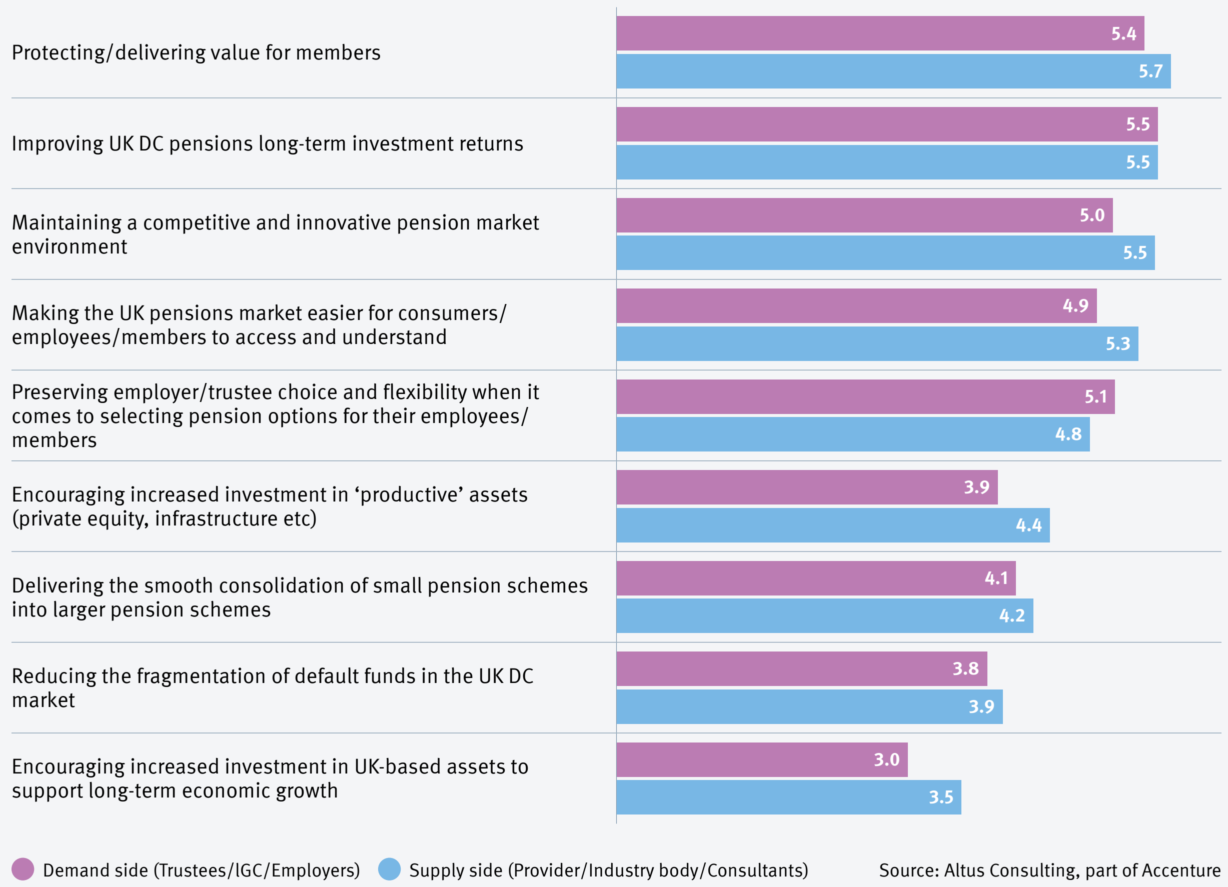
> "We believe the current proposals could significantly harm competition and innovation, and that those without the scale (as defined by the Govt) can achieve all the goals they set out already."
>
> **Pension Provider**

That tension is sharpened by the government's emphasis on scale as a gateway to investing in UK growth assets. While many respondents acknowledged the industry's potential to support the domestic economy, this was not seen as a top priority. Productive investment was rated as moderately important, and confidence in the system's ability to deliver it largely mirrored that view – suggesting cautious neutrality rather than strong support or concern.

Underlying this is a familiar question: do assets that boost the UK's economy necessarily produce good outcomes for savers? For some, the fear is that members' interests could become secondary to broader industrial policy goals.

> "I fear that the outcome will be a one-size-fits-all DC offering that invests in the UK and productive finance whether or not it is good for members."
>
> **Single Employer Trustee/Decision-maker**

Figure 5: Importance of each outcome to Demand and Supply side respondents



This concern is amplified by the interaction between consolidation and the emerging Value for Money (VfM) framework[4]. The VfM framework is intended to enable meaningful comparisons between schemes based on a broad set of outcomes – not just cost. But if consolidation results in a handful of large, similarly constructed providers, those comparisons may lose their power.

> “Many of the proposals will, I believe, simply drive short-termism and herding and not encourage/support innovation, fiduciary value and delivering to member needs and requirements.”
>
> **Master Trust Trustee**

A market of homogeneous megaschemes is more likely to foster herding behaviour – where providers track each other’s decisions closely to avoid reputational risk. Several respondents warned that this would stifle innovation and reduce differentiation across investment design, governance, and member services.

> “While we share the government’s ambitions to improve long-term returns, the biggest concern that we have with the proposals is that they will significantly increase concentration in the market, reducing competition and the need to innovate, with providers likely to herd in their investment strategies.”
>
> **Industry Consultant**

Some of the comments we received also highlighted the risk of losing well-performing smaller schemes that do not meet asset thresholds. These are often offering tailored solutions, innovative defaults, or ESG-aligned portfolios – and may be squeezed out not for lack of performance, but for falling outside a scale-first model.

The message is clear: consolidation must follow value, not define it. If the system is to evolve in a way that truly serves savers, it must remain open to performance-led differentiation, and allow excellence to emerge at any scale.

Repurposing the high street

What does the survey tell us? One message comes through clearly: the industry is not opposed to reform – but it is uncertain whether a consolidation model will deliver for members. On the contrary, there is broad support for the idea of a more streamlined market – so long as consolidation remains focused on the value it can deliver: a means to an end, not the end itself.

> “Looking beyond the pain of getting there, a more consolidated market of mega funds should be easier for members to understand and engage with. My focus is on member outcomes, and while I have some concern around innovation and future flexibility, a market focused on value – not just cost – with propositions at scale, could offer better options.”
>
> **Single Employer Trustee/Decision-maker**

This is a market open to change, but not at any cost. It wants clarity on what a successful future looks like – and how to ensure the system retains space for innovation, choice and – most importantly – delivery of strong value for members.

The high street analogy remains a useful one. For years we were told it was declining, but slowly it is being reimagined – not as a place for transactions, but as a place for connection and experience. DC pensions may be on a similar path. Their function remains vital, but their form is changing. Technology is reshaping what engagement looks like. Governance models are evolving. And member expectations – while still often latent – are shifting too.

Transformation feels disruptive. But as the high street is proving, reinvention is not the same as abandonment. With the right foundations, consolidation can serve members better – if it remains grounded in purpose, not just policy.

In the pages that follow, we explore how other countries have navigated similar journeys, and what the UK might learn from their experience. Given consolidation has become inevitable, the real question is not whether we build something bigger – but whether we build something better.

4. For more information please see: FCA Value for Money Consultation Paper (CP24/16)

Chapter 2: Looking up from the high street to the ‘light on the hill’

As the UK prepares to reshape its DC pensions landscape, policymakers are not short of examples to learn from. Around the world, systems have taken different approaches to consolidation – some directive, others market-led – but all shaped by their own history, regulation, and social contract.

In chapter one, we heard from UK industry leaders who see the logic in simplification, but worry about the loss of diversity, innovation and member connection. These are not abstract concerns. Other countries have walked this road before – and their experiences offer insight not just into what consolidation can achieve, but what it can compromise.

We spoke to leading voices from Australia, New Zealand and the Netherlands to understand how their systems have evolved. While the paths taken diverge, one message emerged with striking clarity: the destination must be better member outcomes – and that purpose must remain visible throughout the journey.

Paul Watson, a former senior executive at one of Australia’s largest superannuation funds, offered this advice to UK policymakers:

> “Set clear objectives. Consolidation should be about improving member outcomes. That is your light on the hill – never take your eye off it.”

The rest of this chapter explores how that principle has been applied – and sometimes tested – in other systems.

Contributors

To inform this chapter, we interviewed leading voices from Australia, New Zealand and the Netherlands to understand how their systems have evolved. They were:

- Paul Watson, an independent consultant who was formerly a senior executive at Hostplus, one of Australia’s super funds.
- Shamubeel Eaqub, principal economist at Simplicity, a New Zealand pension provider.
- Professor Hans van Meerten, a Dutch lawyer and academic.

Many thanks to Shamubeel, Paul and Hans for taking the time to share their insights.

Australia: When the megastore (mostly) delivers

Among international pension systems, Australia's is often held up as a model of successful consolidation. Over the past decade, it has built a marketplace dominated by large-scale superannuation funds, capable of insourcing investment expertise, lowering member fees, and competing globally for talent. The megastore, in short, has been built – and in many ways, it works well.

Paul Watson, a former senior executive at Hostplus, one of the country's best-known super funds, has observed this evolution up close. In his words, the shift to scale has changed how superannuation is perceived across the financial services industry:

> "Ten years ago, you would not have seen many investment professionals cross the road to say hi to a pension fund – now, the roles within pension funds are coveted."

As funds have grown, so too has their influence – and their governance. Watson notes that consolidation has allowed Australian funds to attract not only better boards and trustees, but also executive teams with significant investment capability. Costs have come down, and members have benefited from the efficiencies of scale that UK policymakers are now seeking to replicate.

But the Australian experience also comes with a note of caution. With scale has come bureaucracy. According to Watson, decision-making is often slower, processes are more complex, and some of the responsiveness to members – particularly the ability to tailor or innovate – has been lost along the way.

> "The individual tailoring of experience is missing. There can be more bureaucracy. People feel they have just become a number."

Innovation, in particular, has been a casualty. Watson is clear-eyed about the role smaller funds have played in driving creative thinking in member engagement and communications.

> "We have to be careful we don't kill off smaller funds because they have been a hotbed of innovation."

The role of the regulator has also been key. Australia's consolidation story was shaped not by deadlines, but by pressure applied through public performance benchmarking and regulatory heatmaps. Once the Australian Prudential Regulation Authority (APRA) began 'naming and shaming' underperformers, many funds sought mergers proactively, knowing where the system was heading. Targets were not enforced – but the direction of travel was unmistakable.

> "A five-year goal makes sense as a signal – but I'd say be careful not to make it feel like an arbitrary finish line."

Watson's reflections reinforce a theme introduced at the start of this chapter: consolidation only works when its purpose is clear. In Australia, the focus remained on better member outcomes – lower costs, improved investment capabilities, stronger governance, and the capacity to innovate. That purpose was what gave the process direction – what we earlier referred to as the "light on the hill."

His final message to UK policymakers brings the argument full circle:

> "If I had one piece of advice to offer, it would be for the UK to focus not just on scale for its own sake, but on how consolidation ladders up to, drives and (should) improve the utility of a universal pension system that has the broad national confidence and support."

New Zealand: Where the high street fights back

While Australia's superannuation system offers a case study in scale, New Zealand tells a different story – one where member mobility, default system design, and competitive dynamics have moulded a marketplace that tends to reward challengers rather than consolidators.

When KiwiSaver was launched in 2007, it began with just six default providers[5]. Members who did not make an active choice were randomly assigned to one of these providers using a lottery-style algorithm, linked to each saver's tax number. This gave the system a simple, centralised default model – but one that did not restrict choice. Savers could move their pot at any time.

Initially, the six providers were mostly high street banks and large institutions, chosen for their capacity to scale quickly. But when contracts came up for renewal, the competitive dynamics changed. New entrants – leaner, nimbler, more digitally focused – saw an opportunity to challenge the incumbents.

One of those challengers was Simplicity, a not-for-profit provider that successfully bid to become one of the new default schemes. Its principal economist, Shamubeel Eaqub, is critical of the idea that consolidation should be pursued as an end in itself. For Eaqub, competition is what has driven better outcomes in New Zealand – not scheme size.

> "In New Zealand, competition has improved investment offerings, driven down price and increased innovation."

Choice, he argues, has played a central role. Members can move providers easily, and while some are choosing niche or riskier options – including Bitcoin-linked pensions – the system leaves space for that variety to exist. Simplicity itself favours simpler options, executed well.

Eaqub suggests UK policymakers resist a one-size-fits-all approach. The key, he says, is knowing what problem you are trying to solve – and not mistaking consolidation as a catch-all fix.

> "Applying one solution to fix a host of problems does not work."

He is also sceptical about the UK's emphasis on productive investment as a consolidation goal. If investment in domestic infrastructure is not flowing, he argues, policymakers should ask why – and remove the barriers, not mandate the outcomes.

> "I'm not going to invest in New Zealand businesses or infrastructure if the returns don't stack up. That wouldn't be doing the right thing by my members."

Instead, Eaqub encourages governments to think practically about how to shape risk-adjusted returns – through de-risking mechanisms, underwriting, and removing regulatory friction – rather than expecting fiduciaries to ignore their core duty.

But perhaps his strongest warning is about trust. Pension systems do not get infinite chances to get reform right. They operate on long timelines, but fragile foundations.

> "You get to do this once, right? So, to me, you mess with these kinds of things at your peril."

In New Zealand, the system did not chase consolidation – it created conditions for quality to rise and for members to vote with their feet. That model may not be easily replicated in the UK, but its lessons are worth considering: if the high street is to thrive, it does not need fewer shops – it needs better ones, competing for the public's trust.

5. Source: https://www.taxpolicy.ird.govt.nz/news/2006/2006-12-07-kiwisaver-default-providers-named

The Netherlands: Big, busy and... Sometimes expensive

The Netherlands offers another variation on the consolidation story. Its shift from defined benefit to defined contribution (DC)[6] has drawn global attention – and its large, technically sophisticated pension funds are often admired for their ambition and structure. Indeed, the Netherlands took the top spot in the Mercer CFA Institute Global Pension Index 2024[7], which measures and ranks 48 retirement systems worldwide on adequacy, sustainability and integrity.

However, no system is perfect, and it is vital to learn lessons from the leaders. As Dutch lawyer and academic Professor Hans van Meerten explains, bigger has not always meant better value for members.

The Netherlands' transition has not been without controversy – but not primarily because of consolidation. In fact, the main challenge has been communication. Van Meerten argues that members' protests were focused more on how the CDC transition was explained than from the structural change itself. That may offer some reassurance for UK policymakers – but it also comes with a warning: perception matters, especially when it comes to trust.

The Dutch example reveals that scale has lowered some costs for members, like administration and investment[8]. However, past experiences from the Dutch market reveal that these cost synergies have not always been a given. Van Meerten recalls one major DC scheme he analysed in 2022 had 60 people on its board and a layered supervisory structure. The result? Rather expensive governance and no clear savings for members.

By contrast, Van Meerten highlights smaller challenger funds that he analysed at the time, that were leaner, newer and run with a very different operating model. The average per member costs were roughly one seventh that of the larger schemes they were competing with.

> "When we looked at the complete costs per member, we found that the larger schemes did not look cheap at all. In fact they looked quite expensive. The larger schemes were costing on average 350 euros per member annually compared with 50 euros per member annually for the smaller schemes."

The implication is clear. Scale alone does not necessarily guarantee value or cost efficiency. Governance, structure, and delivery model matter just as much – and sometimes more. In fact, in mature systems like the Netherlands, the challenge may not be creating scale but controlling it.

Van Meerten is not opposed to large schemes, but he is critical of the idea that consolidation should lead to a handful of unaccountable giants. To prevent stagnation, he argues, policymakers must ensure there is room for challengers to survive and thrive – not just to keep fees in check, but to protect innovation and optionality for savers.

He even suggests that the UK should consider stronger mechanisms for member empowerment. If savers had more ability to challenge underperforming schemes, it might force providers to stay more responsive. One option, he proposes, could be giving members the right to opt out and manage their own investments where they lack confidence in the default.

> "If savers could take over the running of their investments, this would help people to feel more empowered and give them some form of recourse if they feel their scheme is performing poorly."

The Netherlands has a long history of providing adequate pensions to many – although the new system is still a work in progress. However the Dutch experience also contains examples for the rest of the world of how technical sophistication and size do not automatically translate into value. Without rigorous governance, lean operational models, and space for new entrants, megastores can lose track of what they cost to run – and who they are really for.

6. The Dutch call this newer style of pension arrangement defined contribution (DC). However, international observers widely refer to the Netherlands' form of DC as 'Collective Defined Contribution' (CDC) due to its use of collective risk sharing

7. Source: *Mercer CFA Institute Global Pension Index 2024*

8. DeNederlandscheBank data, January 2025

What can we learn? A megastore with good lighting

Each country's journey offers insights into consolidation, but they all point to the same conclusion: scale alone should not be the goal. The success of a pensions market depends not just on size, but on how well it keeps member outcomes at the centre of every decision.

Australia shows what scale can deliver when paired with governance and regulatory pressure, but also what could be lost – innovation and member connection. As Paul Watson noted, many large funds may now explore how to recreate innovation and agility by developing internal "mini-me" challengers.

New Zealand, by contrast, highlights the power of competition and member mobility. Instead of consolidating, it created conditions where default providers grew but challengers emerged to offer better service and lower costs. "Competition," as Shamubeel Eaqub put it, "is still your friend." His strongest caution was about preserving member trust: "You get to do this once, right?... You mess with these kinds of things at your peril." Notably, New Zealand focuses on member value, not macroeconomic investment or productive finance.

The Netherlands' pension system is globally lauded for its adequacy, but even so there are still lessons to learn. Even large, sophisticated funds can become costly and unwieldy to govern. Without constant pressure to deliver value and create space for innovation, scale can dull a scheme's edge.

What ties these systems together is not their structure, but the shared lesson: scale and competition both matter, but purpose and focus are paramount. The systems that perform best are the ones that hold themselves accountable for the outcomes they deliver, without burgeoning governance, and keeping the member clearly in view.

And yet, there is a deeper insight too. Not every system seeks every outcome. Australia focuses on scale and governance; New Zealand prioritises choice and competition; the Netherlands shows that even large, well-funded systems can struggle with cost and complexity. Each system has made trade-offs – and each has had to decide what to let go of in pursuit of its broader goals. Trying to optimise for everything is unrealistic – and potentially unworkable.

What matters is ensuring that in the outcomes we trade, member value is never sacrificed. Our survey made this clear: protecting and delivering value for members was overwhelmingly seen as the most important outcome to UK pensions decision-makers. Confidence in achieving value, however, was far from guaranteed.

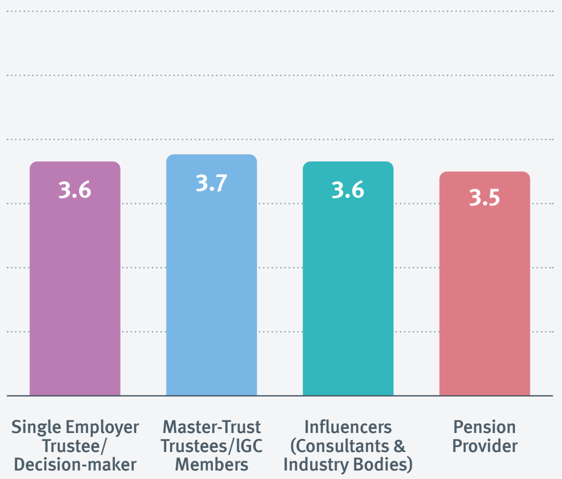
This matters even more in the UK, where our system has been deliberately built around saver inertia. We told people they did not need to be experts – that they could trust the system to deliver good outcomes on their behalf. That is a promise we have to make good on. Consolidation may well take us to the megastore – but if we lose sight of that promise along the way, we risk building something where structure overshadows purpose. Get the lighting right, and scale can work. But lose sight of what you are illuminating – and even the most polished structure can start to feel like a warehouse.

Chapter 3: Building a megastore starts with blueprints, not bulldozers

Consolidation may be the direction of travel – but execution is everything. From data cleansing to asset transitions, employer engagement to regulatory oversight, the journey from fragmentation to scale is anything but simple.

Chapter 1 made the case for change, while Chapter 2 explored what we can learn from other systems. This chapter focuses on turning ambition into delivery. Because what looks elegant on paper often proves intricate in practice. When we asked stakeholders how likely it is that current plans for consolidation will enable a smooth transition of small schemes into larger vehicles, the results were cautious. Average scores ranged from 3.5 to 3.7 out of 6 (Figure 6)– reflecting a near-even split between optimism and concern.

Figure 6: Level of confidence that current proposals will deliver a smooth consolidation of small pension schemes into larger ones
(1 = very low/ 6 = very high)



Source: Altus Consulting, part of Accenture

This chapter draws on detailed interviews with key subject matter experts at Smart Pension. We explore the operational realities that rarely make headlines: the data mismatches, platform constraints, project pinch points, and regulatory frictions that can define success or stall progress.

What emerges is not resistance to consolidation – but realism about what it requires. Transforming the pensions high street takes more than ambition – it takes detailed design. Without the right blueprints – data standards, project frameworks, investment infrastructure, and regulatory clarity – the system risks delivering confusion before value while also weakening the commercial attractiveness of consolidation.

> “Once you're in the £25 billion club, taking on sub-£500 million schemes – even for free – just isn't worth the pain. When your annual inflows exceed the total size of these schemes, the incentive to absorb them disappears.”
>
> **Jamie Fiveash, CEO, Smart Pension**

In the sections that follow, we examine those foundations: the invisible groundwork on which scalable, member-first consolidation will stand or fall.

Contributors

We conducted interviews with an array of experts from Smart Pension who are at the forefront of consolidation. Many thanks to them all for their time, insights and input into this chapter. They are:

- Carly Kisanga, Head of Legal
- Eve Read, Senior Director of Strategic Delivery
- Ian Digby, Director of Policy and Regulation
- James Lawrence, Director of Investment Proposition
- Jamie Fiveash, CEO
- Katie Court, Head of Governance
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- Vidya Sai, Implementation & Transfers Senior Manager.

Data, delivery and design: As always, groundwork matters

Smooth, scalable consolidation depends on what happens before a single member is moved. Strong data, disciplined delivery frameworks, and adaptable systems form the hidden groundworks of success – often overlooked until they crack under pressure.

This section explores three critical foundations: the quality of inherited data, the structure of the transition project, and the readiness of receiving systems. Each is challenging in its own right, but together they determine whether consolidation delivers on its promise or risks unravelling in practice.

Data complexity: Raw materials, hidden fault-lines

Data is where every transition begins – and where many of its hidden dangers lie. In principle, data is the raw material from which scalable consolidation can be built. But in practice, that material is often uneven, poorly labelled, and riddled with inconsistencies. Even under ideal conditions, onboarding a scheme into a master trust is demanding. In the real world, those conditions rarely exist.

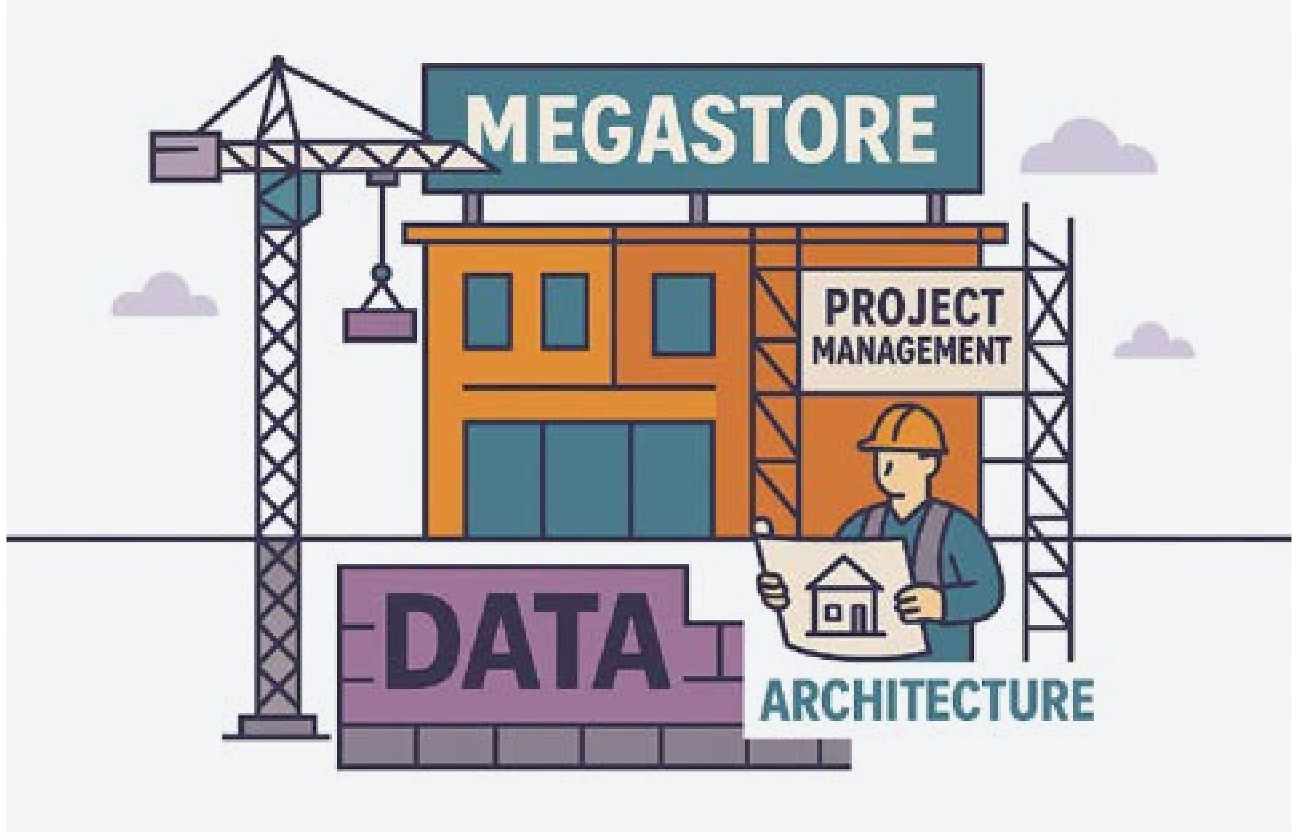
> “Data is at the heart of it all. If you don't nail that first, you'll have problems.”
>
> **Vidya Sai, Implementation & Transfers Senior Manager, Smart Pension**

A typical transition may involve a dozen member cohorts – actives, deferreds, drawdown members and more – each with distinct histories, contribution patterns and exceptions. Modern platforms offer some standardisation, but legacy systems often span multiple architectures, with critical values stored in inconsistent formats, free-text fields or undocumented flags. What appears uniform at field level often hides mismatched logic underneath.

The challenge intensifies with third-party administrators, where data is frequently exported “as is” with minimal concern for downstream restructuring. Receiving schemes may rely heavily on internal data science teams to conduct gap analyses, write conversion routines, and reconcile conflicting definitions.

Even once data is ingested, the task is not over. During the wind-up process (commonly called the Continuity Option 1 (CO1) regime[9]), multiple extracts are required over a ten-month period – during which contributions continue, leavers leave, switches occur, and claims are processed. Stabilising a live, moving dataset for validation creates constant tension between accuracy and change control.

What looks like structure on the surface can hide deep fault-lines underneath – and in a process this complex, small cracks in data integrity can compromise the entire build.



9. Source: The Pensions Regulator: Continuity Options Flowchart

Project management: Holding the shop together

If data is the raw material of consolidation, then project management is the scaffolding that holds the build together – it is about sequencing complexity, managing risk, and aligning multiple moving parts.

The work can be organised into three core pillars:

1. **Active employer and member onboarding** – switching payroll feeds, rerouting contributions, and ensuring employer groups remain functional throughout. Even small errors here can affect member pots directly.
2. **Deferred member onboarding** – often the largest cohort, but also the messiest. These records are typically older and patchier, and can contain niche entitlements that demand careful handling.
3. **Asset transition** – managing the safe handover of investments, including sequencing, prefunding and re-registration. Missteps here carry immediate implications for member outcomes.

Each pillar has its own rhythm, but they must move in sync. Strong delivery depends on structured frameworks: clear responsibilities, tight sequencing, and regular checkpoints. Without these, complexity can quickly overwhelm internal teams.

CO1 transitions are particularly unforgiving. Scope is fixed – every drawdown pot, legacy default, and outlier payroll must be taken on. Receiving schemes cannot cherry-pick; they must absorb it all, often at real internal cost.

Even among experienced providers, delivery capacity is limited. Managing two transitions may be feasible. Four or five stretches bandwidth to breaking point. As consolidation picks up pace, that constraint may prove the most decisive.

System design: Getting the architecture right

Even the best-managed data will not land cleanly without the right architecture to receive it. Where data is the raw material, and project management the scaffolding, system design is the frame – the structure that determines whether consolidation is viable or strained.

Master trusts depend on systems that can manage payments, investments, communications, reporting and more. Those built on legacy architecture – with duplicated data, rules defined in many places and manual handoffs – find innovation difficult, expensive and error-prone. Some have tried to standardise on a single platform, but no vendor delivers best-in-class capability across every function.

> “There’s no single technology provider that has managed to corner the pension market– so every merger means dealing with multiple systems… that’s when the challenges start.”
>
> **Vidya Sai, Implementation & Transfers Senior Manager, Smart Pension**

While Smart have adopted a single platform approach, our view at Altus Consulting is that the solution for other providers is likely to lie in accepting that no one system can do it all.

The key to addressing the challenge is to accept at the start that all parts of your systems need to interoperate. Choose systems that do the thing they are supposed to do well and make sure they are fully interoperable with systems providing the wider functionality you need. True innovation will come from specialist vendors integrating effectively, not from relying on a single provider to do everything. Uber succeeded not by having a great all-singing, all-dancing taxi despatch system but by stitching together the best navigation, payments and communication software and integrating them seamlessly into a simple front end.

The pensions dashboards programme may help standardise data and provide more consistent visibility through external interfaces. It will not, however, address the need to make the systems simpler and cheaper to innovate with. That depends on developing robust core platforms that can interoperate easily with innovative, specialised components – flexible enough to evolve, and modular enough to scale.

Investment transitions: Making consolidation investible

Transitioning assets: Load bearing trades

Consolidation may be about scale – but scale means movement. And moving assets is not just a financial transaction. It is a logistical and operational challenge that, if mismanaged, can carry real risk. What matters is not just how much is moved – but when, how, and through which channels.

Most consolidators aim to migrate assets into their standard investment architecture. Maintaining legacy portfolios – with bespoke allocations or divergent risk profiles – creates friction and undermines the case for consolidation. But even standardised transitions are far from uniform. Portfolio composition, liquidity and manager arrangements vary, meaning each move must be planned, sequenced and executed individually. There are limited economies of scale – the effort rises faster than the volume.

> “You can do four transitions at once – but it’s twice the work of two. Managers, lawyers, consultants – every part of the value chain in the industry will feel the squeeze if we try to transition too many schemes at once.”
>
> **James Lawrence, Director of Investment Proposition, Smart Pension**

Larger or more complex transitions often require specialist expertise to manage liquidity, timing and trade execution – but these services are increasingly bundled with asset manager onboarding, and standalone support is harder to find. If demand rises sharply, the market may struggle to keep up.

The risk of systemic disruption is low – most DC schemes still hold modest allocations to UK-listed assets – but localised pressure points are possible. While the risk of systemic challenges might be low, it is not beyond the realm of possibility. Reputational damage can and does go on to cause systemic disruption. Even small failures can have knock-on consequences and undermine trust. Asset managers with a history of strong DC mandates could face multiple simultaneous redemptions if consolidations happen all at once. Without coordination, ripple effects may prove hard to contain.

Asset transition is not just an administrative task. It is a structural handover – and one of the most load-bearing elements of the consolidation process, particularly under time pressure and at scale.

Private markets: From single shelves to supermarket sections

One of the central promises of consolidation is better access to private markets – from infrastructure and private equity to venture capital and private credit. These asset classes have long been positioned as the reward for building bigger. Via the government’s Mansion House Accord of May 2025, 17 large pension providers committed to investing 10% to private markets across all main DC default funds by 2030, with at least 5% of the total going to UK private markets. However, the shelves may not be as well stocked as expected.

Some consolidators are already moving. Master trusts like Smart Pension are already building significant allocations to private credit, infrastructure, and venture strategies – giving members access to assets that were previously out of reach. Consolidation allows investment decisions to be centralised, governance to be streamlined, and relationships with specialist managers to be built earlier.

> “Getting into private markets tends not to be something that a wall of money can do at a clip.”
>
> **James Lawrence, Director of Investment Proposition, Smart Pension**

But scale does not guarantee entry. The UK’s private market opportunity set remains relatively shallow. In venture capital, for example, many top-performing UK funds are raising tens of millions – not the hundreds or billions larger schemes may look to deploy. The best opportunities are likely to be snapped up by early movers, leaving latecomers with less favourable terms or thinner pipelines.

Even in more mature markets like infrastructure – which is singled out as a key priority in the Pension Schemes Bill – pricing is high, supply is limited, and demand is strong. Although the government included a list of its infrastructure pipeline in the *Pensions Investment Review: Final Report*; the mechanisms by which these projects will be made investable to DC pension schemes (as well as what returns they would be offering to these schemes) remains unclear. In today's currently investable market many of the most attractive assets – such as clean energy or digital infrastructure – are already being secured by more established and experienced institutional investors.

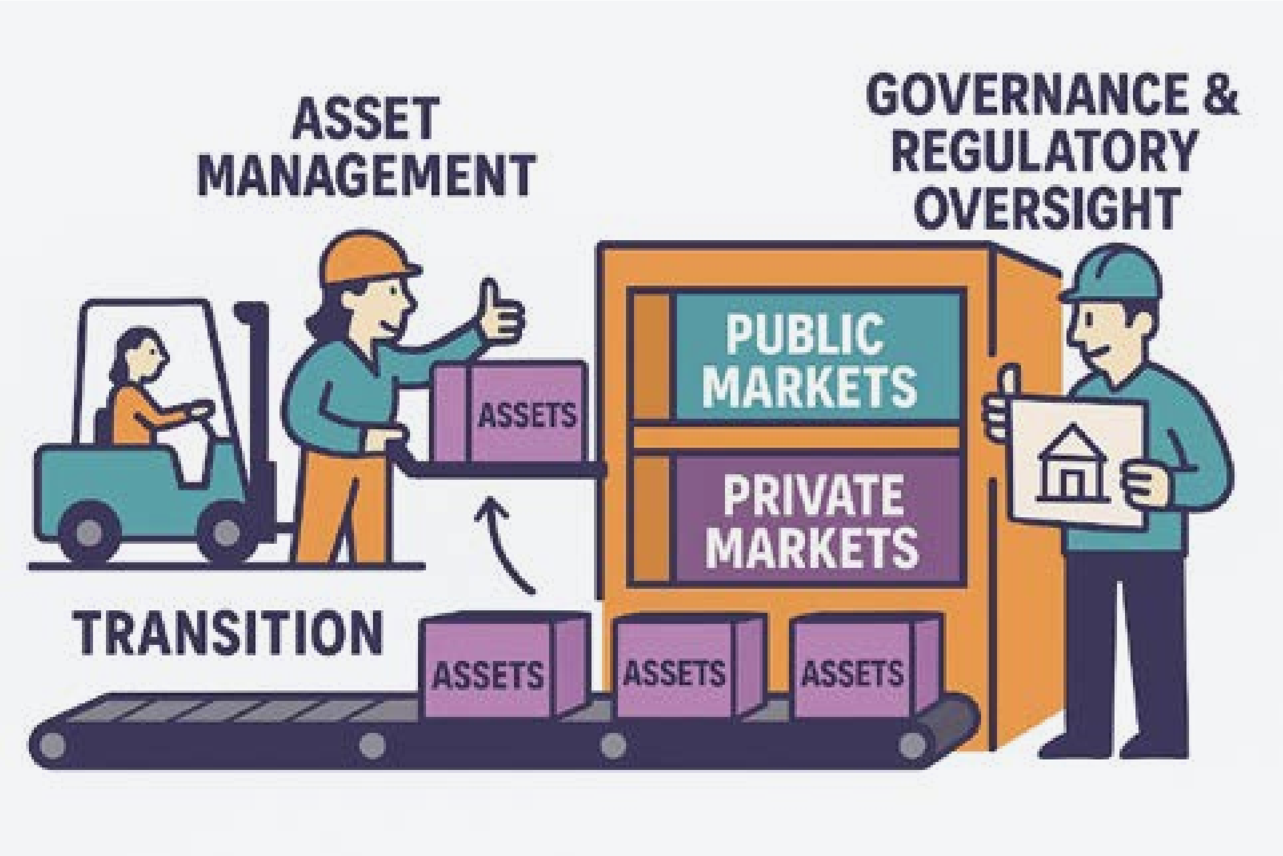
> “The market's getting deeper – but the first-mover advantage will not last. The best assets and managers are already being taken.”

James Lawrence, Director of Investment Proposition, Smart Pension

For UK DC schemes with significant scale, global markets may offer more capacity – but access remains competitive and scale alone does not guarantee entry on attractive terms. Leading private equity and venture managers are oversubscribed, rarely offer fee discounts, and can often only be accessed through fund-of-fund structures, that add another layer of cost and complexity.

Finally not all private market opportunities align neatly with public policy goals. The investable end of the market is increasingly skewed toward next-generation infrastructure – like EV networks and data centres – rather than the legacy-style public works often associated with domestic growth ambitions.

That disconnect matters. If the UK wants DC capital to support large-scale national projects, it may need to go beyond simply mandating these allocations. Co-investment vehicles, planning reform, and clearer regulatory frameworks could all play a role in making those ambitions investible at scale.



Regulatory approach: Making sure the framework can take the strain

As the pace of consolidation increases, pressure will mount not just on schemes – but on the regulatory architecture around them. Existing frameworks were not built for high-volume transitions. Meeting the scale and complexity ahead will require regulators to evolve: clarifying expectations, streamlining approvals, and building the capacity to support a more intensive, multi-scheme environment.

Regulatory friction: Preventing the blueprint from becoming a bottleneck

As consolidation gathers momentum, regulatory scrutiny is intensifying. That is not a flaw – it reflects the stakes. Implementation strategies are facing deeper challenges, and approval processes are more consultative and cautious. But this rigour comes at a cost.

The CO1 framework was not designed for speed. Approval of implementation strategies can take six to nine months, often involving multiple iterations and additional information requests. These extended timelines have knock-on effects: once a scheme triggers wind-up, it must notify employers, opening up a period of uncertainty in which relationships can begin to shift.

> “You can do everything right, but if it takes nine months to get approval, the scheme you end up onboarding might look very different from the one you originally agreed to acquire.”

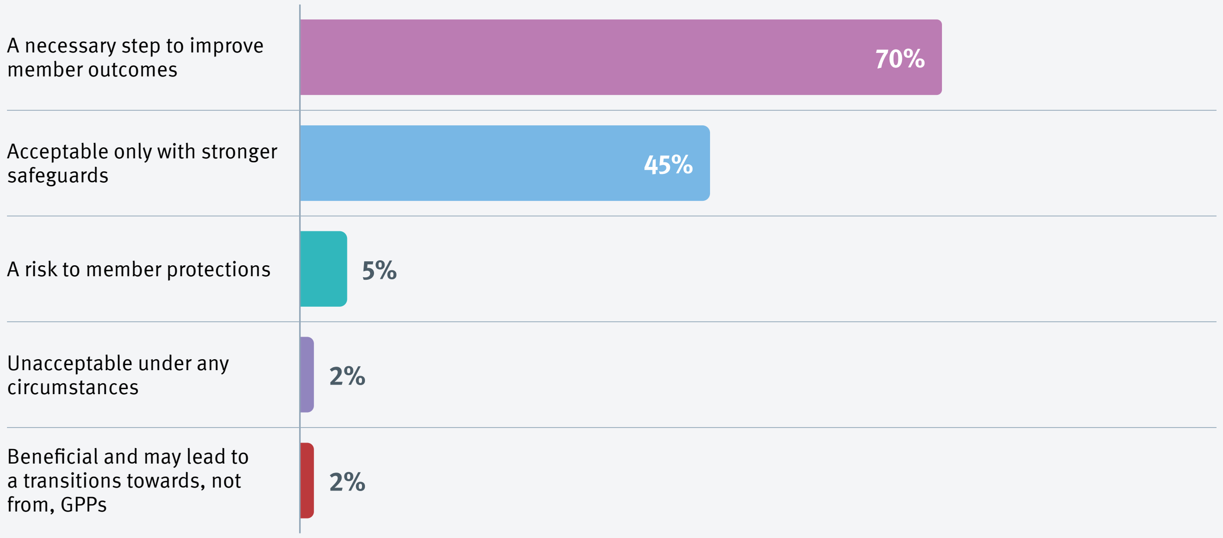
Ian Digby, Director of Policy and Regulation, Smart Pension

The regulator is right to demand assurance, but the market also has valid concerns about bottlenecks. Implementation requirements are increasing at a time when many stakeholders expect the number of consolidations to rise sharply. Even in well-governed schemes, the time lag between agreement and approval can have material consequences.

What the market is seeking is not lighter-touch oversight, but a regulatory process that is as scalable as the policy ambition. 70% of the respondents to our survey support bulk transfers without consent as a necessary step to improving member outcomes – but 45% also highlighted that these could be acceptable only with stronger safeguards (Figure 7).

The message is clear: any action to transfer members must be transparent and conducted within clear guard rails to ensure the ultimate objective of improving member outcomes is met. The appetite for efficiency is matched by a desire for confidence. Schemes want to move quickly – but they also want to get it right.

Figure 7: Impact of allowing bulk transfer without consent
{All respondents,% choosing each option, multiple choices allowed)



Source: Altus Consulting, part of Accenture

Scaling supervision: From supporting shops to supporting superstructures

The current regulatory model has supported consolidation effectively to date – but it was built for selective, not systemic, change. It works well when a handful of transitions happen each year. But with dozens of schemes likely to begin winding up over a compressed timeframe, supervisory capacity will come under pressure.

That challenge will be amplified by structural change. The Pensions Regulator is moving to a tiered model of supervision, focusing more resource on the largest and most complex schemes. While this makes sense at scale, many of the schemes now preparing to exit the market are smaller – and may need more, not less, engagement to wind down responsibly.

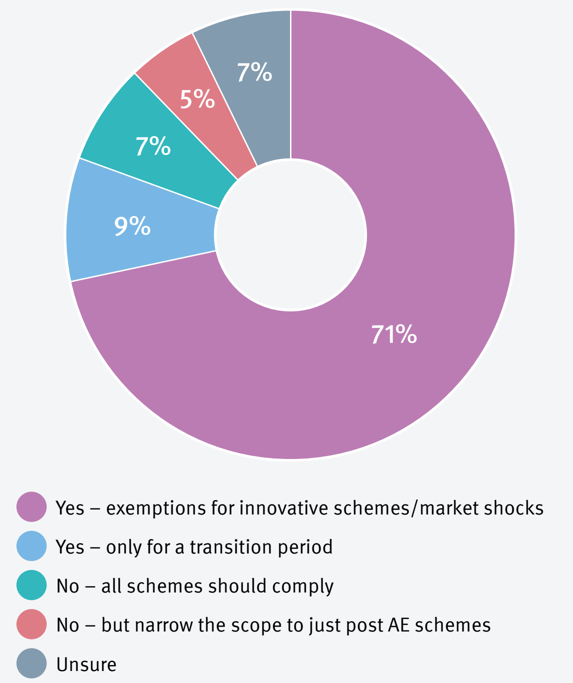
If lighter-touch supervision extends too far into this mid-tier, important expectations could go unmet, and schemes that could have transitioned with confidence may delay transitions due to uncertainty. Successful transitions often rely not only on compliance, but on clarity about how regulatory guidance will be applied in practice.

> “They’ve got to allow some crossover between their supervisory teams... to ensure that the regulators knowledge of the technology, commerciality, investment, enforcement and innovation challenges surrounding master trust consolidation is spread as broadly as possible.”
>
> **Ian Digby, Director of Policy and Regulation, Smart Pension**

The feedback from our interviews with Smart suggests that transitions run more smoothly when there is strong alignment between regulatory, legal and project teams. That is not always easy in a system where responsibilities are distributed across multiple departments or evolving structures. To scale supervision effectively, regulators will need flexibility, strong cross-team coordination, and the long-term capability to oversee a smaller number of larger, more complex entities with broad market impact that emerge from consolidation.

Our survey data echoes this message. Support for enforcing minimum AUM thresholds is high across both supply- and demand-side participants – but only if applied with flexibility (Figure 8). The market is not resisting stronger standards. It is asking for a framework that can recognise nuance, accommodate innovation, and respond to shocks without stalling progress.

Figure 8: Should AUM minimum thresholds be enforced flexibly?
(All respondents,% choosing each option)



Source: Altus Consulting, part of Accenture

*Note: numbers may not sum to 100% due to rounding

The challenge is not one of intent – but of adaptation. As consolidation moves from policy ambition to practical reality, supervision must evolve alongside it: robust enough to uphold standards, but flexible enough to support schemes of all sizes through increasingly complex transitions.

Government as enabler: The planning permission for building big

If ramping up consolidation is the construction project, government is the planning authority. It does not need to pour the concrete or wire the systems – but it does need to shape the environment in which the build happens. And right now, that environment is not yet fully prepared.

There are two interconnected challenges. Firstly, making consolidation deliverable – not just in regulatory terms, but as a commercial and operational reality. Secondly, ensuring that once scale is achieved, the investments government wants to see are available, investible, and capable of delivering long-term returns to savers.

Mandating scale will not, on its own, create investible assets, make illiquid markets deeper, pricing fairer, or risk easier to assess. If UK DC capital is to play a meaningful role in supporting UK growth, the policy toolkit must go further: reducing friction, expanding supply, and giving institutional investors the confidence to commit without fear of policy reversals or structural obstacles.

Our research highlights six priority areas where government can act as enabler – building the foundations needed to support both consolidation and the investment ambition that underpins it. On the right we have outlined some of the key elements require to create a deeper, more investible UK private assets/infrastructure market.

This is not about government doing more – but about enabling more. Just as planning frameworks shape how cities grow, the right policy, legal and market infrastructure can create the conditions for consolidation to succeed – and for long-term investment to serve both national priorities and savers’ outcomes.

Key elements of a more mature UK private assets market

- **Planning reform**, particularly in areas like onshore renewables and digital infrastructure, to help unlock investable projects that align with the liquidity and scale constraints of DC pensions as part of the government’s broader planning and infrastructure agenda.
- **Pipeline certainty** for long-term infrastructure development, giving schemes greater confidence that future allocations will have somewhere credible and scalable to go.
- **Government-backed guarantees or co-investment mechanisms**, to help make more complex or marginal projects investible without undermining fiduciary responsibility or return expectations.
- **Statutory reform**, including powers for non-consent bulk transfers with appropriate safeguards, especially for legacy arrangements that cannot move under current rule.
- **Clarity around regulatory roles and future rulemaking**, to ensure alignment across The Pensions Regulatory (TPR), the Financial Conduct Authority (FCA) and the Department for Work & Pensions (DWP) as consolidation becomes central to pensions policy.
- **Ongoing strategic engagement with industry**, to match policy ambition with the infrastructure, skills and timelines required to deliver it.

Frontline outcomes: Remembering the project's focus is people

So far, this chapter has focused on structure: data, systems, regulation, and investment. This final section turns to the people affected by it. Members, employers and trustees may not be laying the bricks, but they are living through the build. Their experience – how well consolidation is communicated, explained and executed – will shape whether policy delivers on its promise.

Member communications: It is hard to build trust from behind the hoardings

In most transitions, member communication is one of the first tools deployed. Under the CO1 framework, it is one of the last. Until the implementation strategy is formally approved, consolidators are restricted from contacting members directly – a safeguard against misinformation, but one that creates real side effects.

As timelines stretch, members remain in the dark while dashboards, employer activity or word of mouth suggest that change is coming. The information vacuum creates space for uncertainty, and sometimes, for concern.

> “Ultimately, it's a risk to members – there's obviously a reason why the scheme is winding up and it's in their best interest to have those reasons communicated to them as soon as possible.”
>
> **Katie Court, Head of Governance, Smart Pension**

That risk grows if members are moved more than once in a short timeframe – especially if the consolidator itself is later acquired. With greater visibility across platforms and systems, changes in provider, portal or fund name become easier to spot – but harder to interpret without guidance. What starts as silence can quickly tip into confusion.

Even well-intentioned silence creates a trust gap. Without early communication – especially in a system already struggling with disengagement – that gap can be hard to close.

Member trust and transparency: Keeping the locals informed prevents protests

Once the regulatory green light is given, member communication becomes not just allowed – but essential. What happens next is one of the biggest factors shaping how a transition is received. While no two schemes are the same, one principle applies universally: members need to feel they are being brought along, not simply moved.

The best-prepared transitions treat communication as a core workstream – deploying phased materials like FAQs, milestone-timed templates, and targeted messages for specific cohorts. They update websites, check third-party sources, and brief admin teams to respond consistently.

> “We included an FAQ document alongside both the member and employer communications to provide additional clarity and support. It was a useful way to anticipate questions and help everyone feel more informed.”
>
> **Katie Court, Head of Governance, Smart Pension**

Just as scaffolding supports a building while the façade changes, transitions rely on clear, steady communication to maintain confidence during change. That includes how questions are answered, how issues are escalated, and how far ahead the teams are thinking. Schemes may establish formal workstreams – spanning legal, admin, investments and governance – with clear leads to coordinate messaging and ensure consistency across teams and audiences.

Crucially, trust is not built with a single letter. It is reinforced through every interaction – every call answered clearly, every update delivered on time, every expectation met. Success is measured not just by getting members to the other side, but by how they feel when they arrive.

Employer engagement: You cannot build on a crumbling foundation

When a scheme winds up, the process should be orderly – and that includes securing employer commitment. What employers choose to do next can significantly affect the value and viability of a transition. In the window between wind-up notification and onboarding, the most commercially attractive employers may start exploring alternatives – especially if they feel uninformed or uncertain – thereby quietly eroding what looked like a well-structured deal.

Sometimes the issue is not disengagement, but silence – unresponsive employers create operational drag and force receiving schemes to spend time and resource chasing participation.

> “If you engage with employers then they're more likely to stay where they are and bring new employees across as well.”
>
> **Katie Court, Head of Governance, Smart Pension**

Smart described the need for a dedicated outreach team to follow-up with unresponsive employers. Their activities include phone calls, repeated emails, and even in-person visits which are critical to preserving scheme integrity and future contributions.

The lesson is clear: like member communication, employer communication is not a single pack or announcement – it is a workstream in its own right, and it needs structure, coordination, and clear ownership. Done well, it protects scheme value and reinforces trust at the point it is most exposed.

Member value: The most important product on the shelves

Across every frontline of consolidation – data, systems, governance, employers, trustees – the practical reality is the same: this is a delivery project, but it is also a human one. A migration may succeed on paper, but still fails in practice if the people it affects do not understand it, trust it, or benefit from it. Execution must be designed with outcomes in mind – not just milestones.

When the dust settles, members will not remember the project plan. What they will remember is how clearly it was explained, how well their interests were protected, and whether the new arrangement gave them greater confidence in their future. In a pensions system that is becoming bigger and more centralised, the most important product on the shelves is still member value – and it must be deliberately built in from the start.

That means aligning operational choices with long-term strategy. Platform design, fund architecture, onboarding experience – each decision shapes not just the transition itself, but the member's relationship with their scheme for years to come. Treating these as backend tasks risks missing the point. Scale may unlock opportunity, but only thoughtful design delivers lasting impact.

Consolidation is ultimately a means to an end. Its success must be judged not by how cleanly it is executed, but by how clearly it improves the experience and outcomes of the people it is meant to serve.

Chapter 4: Artisans, Architects or Anchors – strategic choices for providers in the age of pension megastores

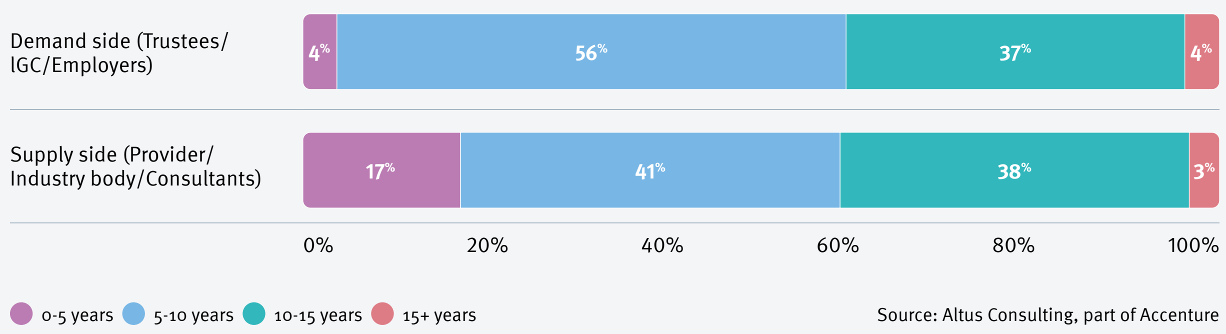
Consolidation is no longer a question of ‘if’, but ‘how well’. The UK pensions market is transitioning towards fewer, larger schemes – a shift designed to unlock scale, improve efficiency, and deliver better outcomes for members. But success will not be determined by policy alone. It will depend on the strategic choices providers make today.

Stocking the shelves: Preparations for the long-term strategic game

With the government now legislating for a minimum default arrangement size of £25bn by 2030 – and introducing a transitional pathway to 2035 for providers reaching £10bn in the interim – the challenge ahead is no longer theoretical. For large, established master trusts, achieving £25bn in total AUM may be within reach. But building a single default arrangement of that scale, with appropriate governance, transition planning, and investment capability, remains a complex and demanding task.

Our survey revealed a strong consensus that the pace of consolidation proposed by the government may be difficult to deliver. Just 4% of demand-side respondents and 17% of supply-side respondents believed consolidation was achievable within five years (Figure 9). While that figure rises to 60% in both groups when the timeframe is extended to the ten years allowed under the transitional arrangements, around four in ten still felt that full consolidation of the UK market would take longer than a decade.

Figure 9: How long is consolidation of the UK market likely to take?
(Demand side vs supply side,% respondents in each category choosing each option)



Source: Altus Consulting, part of Accenture

There is no time to hesitate. With the Pension Schemes Bill now legislating minimum thresholds and fixed timelines for default arrangements, the strategic challenge is no longer optional or open-ended. Providers need to act early – building credible plans, aligning governance and investment strategies, and preparing for transition – because waiting risks missing a window that is now both time-bound and highly visible to both regulators and policymakers.

We are moving away from a marketplace of infinite variation. The system of the future will be fewer in number, broader in reach, and shaped by a narrower definition of “value”. Every provider faces a different starting point – and a different set of decisions.

This is not just about surviving regulatory change – it is about shaping what comes next. Providers who act deliberately, whether to grow, specialise, or exit with purpose, can help ensure that consolidation delivers more than just scale. They can help build a system that balances efficiency with member value, innovation with stability, and prepares for a future where pensions are not only bigger, but better.

What follows is not a blueprint, but more a navigation guide: a reflection on where different kinds of providers sit today, and what they may need to do next. The goal is not to prescribe a single model – but to explore the range of roles providers could adopt as the market is reshaped.

In this evolving landscape, every provider must answer a fundamental question: “Am I in, or am I out – and if I’m in, what role will I play?”

Some may become **Artisans**, offering specialist value or ensuring a well-executed, member-first transition if independence is no longer viable.

Most likely to be...
those commercial schemes/plans that do not think they can achieve the minimum £10bn assets under management in a default that the government has outlined will be required by 2030 to qualify for their proposed ‘transitional pathway’ to £25bn by 2035

Others will step forward as **Architects**, leading consolidation efforts and driving innovation, particularly in addressing the long tail of smaller schemes.

Most likely to be...
those commercial schemes/plans that have already achieved/think they can achieve the minimum of £10bn assets under management in a default by 2030 to qualify for their proposed ‘transitional pathway’ to £25bn by 2035

The largest players – the **Anchors** – will define the market’s stability but must guard against becoming commoditised by focusing on customer experience, retirement solutions, and operational agility.

Most likely to be...
those commercial schemes/plans that have already achieved/can achieve the £25bn assets under management in a default minimum by 2030

Source: Altus Consulting, part of Accenture

Small providers: The Artisan's choice – distinction or departure

Becoming an artisan: Proving purpose through specialism

For a rare few smaller schemes, survival may be possible – but only by embracing the true spirit of an Artisan. These schemes must offer something the megastore cannot: crafted value, tailored service, or a deep alignment to a specific employer, profession, or community. With the introduction of a 'new entrant' pathway in the government's final plans, the door remains ajar for providers who can show genuine innovation and a clear plan to scale over time.

Distinction, however, is no longer enough. In a system now governed by scale thresholds and guided by value for money metrics, uniqueness must be backed by evidence. Artisans must prove that their model enables better governance, more responsive member engagement, or investment strategies meaningfully tailored to their members' needs – and that these attributes deliver outcomes at least on par with larger consolidators.

The government has made clear that innovation may come from new or niche providers – but only where there is a compelling proposition and a pathway to relevance. For smaller schemes, this means demonstrating more than identity or heritage. It means showing that what they offer is not only different, but better – for savers, for employers, and for the long-term health of the system.

Standing out is not impossible, but it is demanding. And for many providers, honest self-assessment may point not toward regulatory exemption, but toward transition.

Crafting an exit: Acting early to protect member outcomes

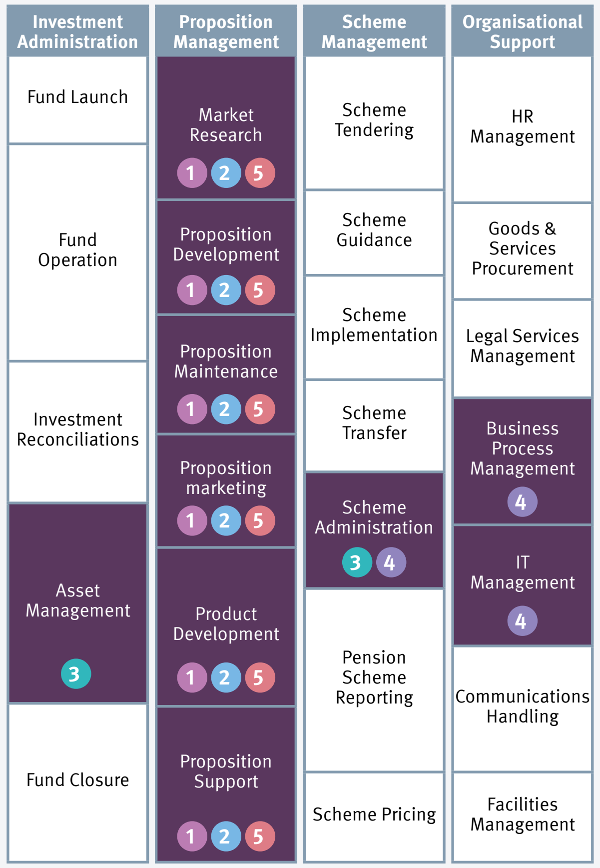
For most smaller schemes, the path ahead will not be about resisting consolidation – it will be about mastering it. Stewardship lies in how providers choose to manage their exit: with foresight, care, and a focus on securing the best possible outcomes for members. Timing is critical. As larger consolidators grow and approach their own strategic thresholds, appetite for complex, low-value acquisitions is likely to diminish.

Providers who act early can shape a smoother transition, select appropriate partners, and avoid being backed into late-stage decisions under commercial or regulatory pressure. In many cases, a well-managed exit may be the most responsible and value-preserving option available.

This is where the Artisan mindset truly finds its place. Craftsmanship is not just about survival against the odds; it is about delivering quality – especially at the point of conclusion. Designing the transition with the same care and intentionality that once defined how the scheme was run is not a sign of defeat, but a final opportunity to demonstrate governance done right: moving members into stronger, more sustainable arrangements without unnecessary friction or risk.

The Artisan's checklist: Five actions to secure the right outcome

In this box we have listed out the five elements that we think need to be top of mind for Artisans. We have also used our PEAK model to highlight the key capabilities that will be most impacted in delivering to these priorities (with a colour code to indicate the capabilities most impacted by each element).



1 Determine your exit strategy early

The trajectory is largely clear for Artisans: it is time to find a larger partner either to consolidate into or to supply with your specialism. The earlier you accept this reality, the more choices you will have.

2 Plan creatively

Artisans typically have much to offer to financial services. While you may need to reposition your business, with the specialist skills and knowledge, you are well placed to execute a strategic pivot.

3 Make it a graceful exit

A messy departure benefits no-one – and members have long memories. A pivot will only be successful if you are remembered to have treated your customers well as you left the DC market.

4 Get your house in order

Prepare for the consolidation process by filling any data gaps, considering how to smooth the investment transition, and finding the right home for members.

5 Start planning for your next phase

Although member outcomes are a critical factor, so are ensuring good commercial outcomes. Remember that what is good for your business can also be good for your members.

Source: Altus Consulting, part of Accenture

Mid-sized providers: The Architect's challenge – build bigger, stay different

The architect's dilemma: Drawing up the plans before others seize the pen

For mid-sized providers, consolidation is something they have the power to shape. With enough scale to be credible and enough agility to adapt, these schemes sit at the centre of the pensions transformation. They are central to how, and how well, consolidation will be completed.

Of the three provider types, the future is most fluid for Architects, squeezed in between the tailored propositions of Artisans and the industrial strength of Anchors. The introduction of a legislated transition pathway now adds structure – and urgency – to that fluidity.

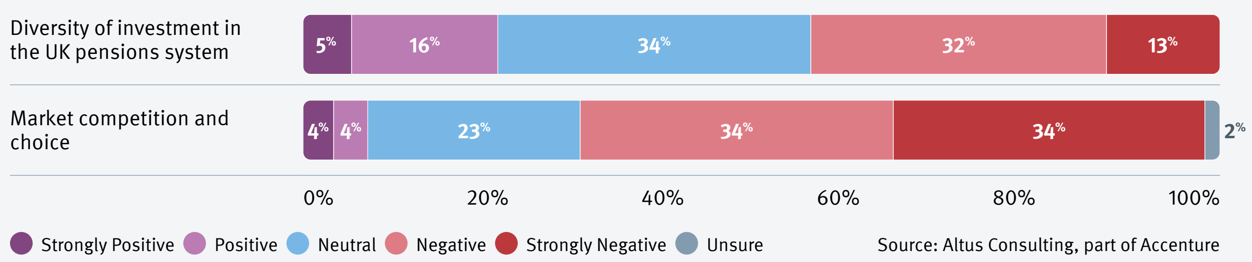
Under the Pension Schemes Bill, these schemes must reach £10bn in a default arrangement by 2030 and present a credible plan to grow to £25bn by 2035. Success means not just growing, but showing how scale will be achieved – and what consolidation would look like if growth stalls. That means having a clear strategy, mapping potential partners, and preparing early – not reacting late.

Balancing scale and innovation: Why flexibility fuels the mid-market mission

While policymakers continue to drive towards fewer, larger schemes, there is recognition that efficiency cannot come at the cost of a dynamic market. Mid-sized providers are uniquely placed to show that consolidation can deliver both – if they treat flexibility not as breathing space, but as strategic fuel. With enough scale to be credible and enough agility to adapt, these schemes can refine onboarding, evolve investment design, and test operational models that are harder to execute at the top end of the market. But real differentiation requires intent – and a willingness to lead, not simply keep pace.

Our survey reflects this concern. 68% of respondents believe competition and choice risk being undermined by rigid AUM thresholds, and 45% worry about a decline in investment diversity (Figure 10). That is not just a warning about the future of the market – it is a signal that the opportunity to stand apart may not last forever.

Figure 10: Impact of government introducing AUM minimums (All respondents, % choosing each option)

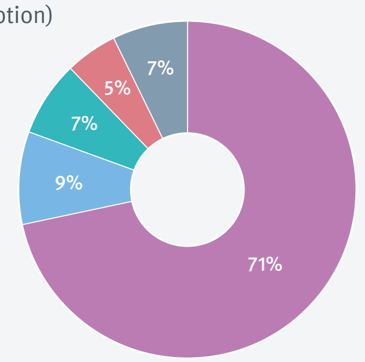


Source: Altus Consulting, part of Accenture

Those who use flexibility to chase thresholds may gain scale but lose definition. Those who use it to deliver better experiences, smarter propositions, or sharper investment focus can demonstrate that growth and innovation do not have to be traded off. It is a view strongly shared across the market: 80% of our respondents supported the idea that AUM thresholds must be enforced flexibly – and of those, 71% specifically backed flexibility for innovative schemes (Figure 11).

The transitional window offers time, but not endless discretion. By 2029, the government will review whether market fragmentation has meaningfully reduced. For those without a viable strategy to reach scale, the room to stand apart may disappear entirely. Mid-sized providers who define their direction early and build deliberately will be best placed to demonstrate that consolidation is not just about scale – it is about identity, ambition, and the ability to deliver something better.

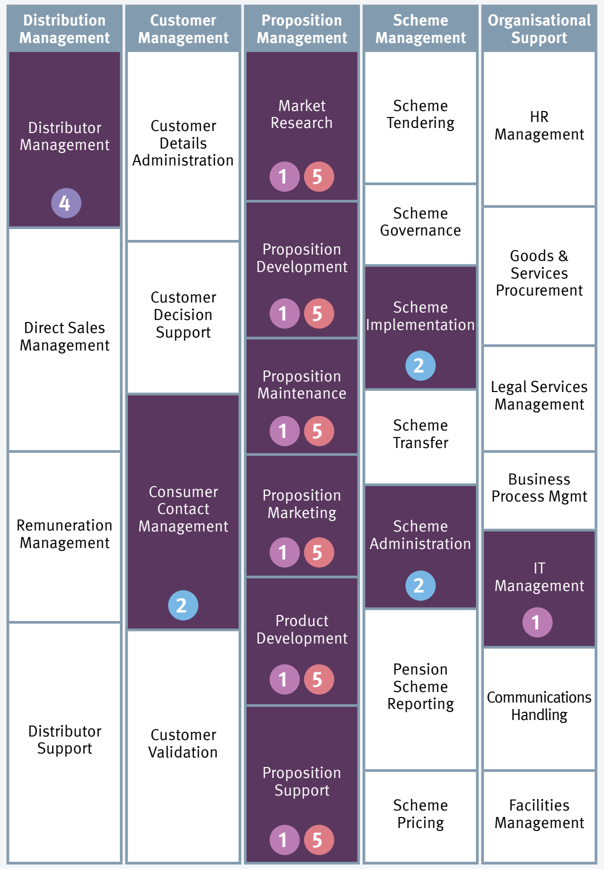
Figure 11: Should AUM minimum thresholds be enforced flexibly? (All respondents,% choosing each option)



Source: Altus Consulting, part of Accenture

The Architect's blueprint: Five priorities for mid-market success

In this box we have listed out the five elements that we think need to be top of mind for Architects. We have also used our PEAK model to highlight the key capabilities that will be most impacted in delivering to these priorities (with a colour code to indicate the capabilities most impacted by each element).



1 Make mid-sized a virtue

While mid-sized players face more uncertainty than Artisans or Anchors, you also have the advantage of being nimbler than your larger counterparts. Use that agility to deliver tech-enhanced customer journeys, tailored employer solutions, and responsive member engagement that may be harder for larger providers to replicate.

2 Differentiate through experience

A unique member experience also extends to the investment solutions on offer. Big gun pension providers are likely to drift towards the middle, offering investment solutions which look the same. Think hard about investment offerings and do things a little differently – not just helping you to grow, but to stand out from the benchmark-huggers.

3 Be easy to do business with

Invest early in operational efficiency to become the obvious destination for smaller schemes seeking consolidation. Pursue investment strategies that capitalise on opportunities too niche or inefficient for megaschemes – turning scale limitations into strategic advantages.

4 Build tactical distribution partnerships

Smaller employers often turn to their independent financial adviser (IFA), accountant or lawyer for pension support – and many professional services firms want a bigger role in pensions and payroll. While larger players link up with finance and HR tech, mid-sized providers have an opportunity to develop new relationships. Act early and choose professional services partners who can open new doors.

5 Use innovation to ensure growth is demand-driven

Do not chase size for its own sake, build a proposition that strongly appeals to your target market. Ensure every step towards scale reinforces your ability to offer something beyond standardisation, preserving competitiveness in a post-consolidation market.

Source: Altus Consulting, part of Accenture

Large providers: The Anchor's covenant – from scale to stewardship

Holding the centre: The responsibility that comes with scale

For large providers, consolidation is no longer a goal – it is the ground they stand on. With significant assets under management and growing influence, these schemes have become the structural anchors of a system built around scale, stability and efficiency.

But holding the centre carries responsibility. Scale brings security, but also creates an implicit contract not only with members, but with regulators, policymakers, employers and the wider market. Large schemes are now expected to set the tone of the ecosystem around them.

That position cannot be justified by presence alone. With a mandated £25bn default minimum by 2030 there is an expectation for large providers to offer real leadership in value for money, operational efficiency and 'productive' investments. In a system where savers often have little or no choice over where their pensions are held, this leadership must come through stewardship.

Our survey suggests the market shares this view. 72% of respondents believe that introducing AUM minimums will improve access to productive asset investment opportunities, and 45% believe it will enhance value for money (Figure 12). But these outcomes are not guaranteed. Scale creates the potential for leadership – not its proof. Delivering on those expectations will require more than structural growth. It demands active strategy, deliberate positioning and meaningful collaboration.

Productive finance is a clear example. The government is looking to large schemes to help unlock capital for national priorities – but that depends on strong engagement with policymakers to design frameworks that deliver member value alongside economic goals.

Anchors will need to work with the government to help shape their pipeline if capital is to be deployed confidently at scale. Participation in the Mansion House Accord raises the bar further: signatories are expected to allocate at least 10% of their default fund assets to private markets by 2030, including 5% in UK-based opportunities. Meeting those targets – while safeguarding value for members – will be a defining challenge for the decade ahead.

Similarly, value for money cannot be reduced to efficiency alone. As regulatory scrutiny increases, providers will need to show that size translates into better outcomes – for members and for employers. Those placing their trust, and their workforce, in the megastore will rightly expect pricing, service and governance to reflect the benefits of scale.

Beyond scale: Preserving trust and purpose in a consolidated market

In a market where members do not actively choose their provider, trust is not built through competition. It is earned through engagement – and for large providers, maintaining that trust is as important as growing AUM.

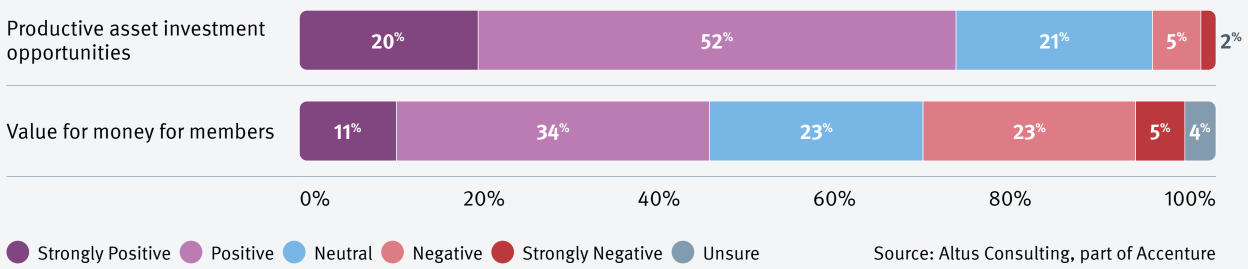
Legislation is now embedding standardisation and industrialisation into the system. They bring operational strength, but also risk reducing pensions to an "invisible" infrastructure. Leadership at scale means actively communicating value – not just in fees or investment performance, but in how members and their employers are supported and how long-term outcomes are prioritised.

This is particularly urgent as decumulation becomes a more visible challenge. Large providers are best placed to shape retirement pathways that integrate flexible income and long-term support for disengaged members. But that influence must be used deliberately – ensuring decumulation is not an afterthought in a system built for accumulation.

Leadership culture matters too. Service standards, governance expectations and definitions of success beyond cost will increasingly reflect what the Anchors model.

Scale offers stability – but it can also create distance. Those who recognise this will act early to close the gap, reinforcing trust through transparency, relevance and ongoing service. Because in a system built around them, large providers carry the responsibility to ensure pensions remain purposeful, personal, and focused on the people they serve.

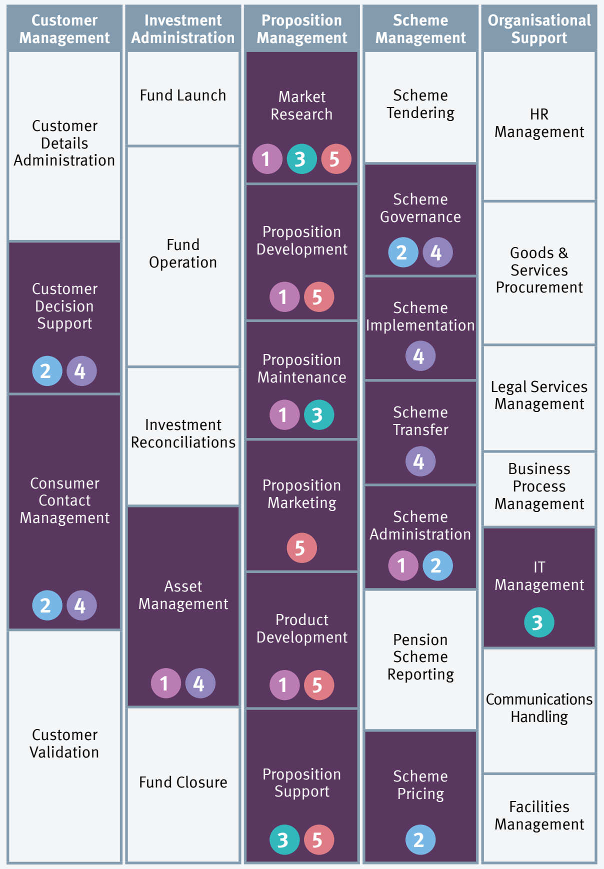
Figure 12: Impact of government introducing AUM minimums
(All respondents, % choosing each option)



Source: Altus Consulting, part of Accenture

The Anchor's covenant: Five commitments for leading at scale

In this box we have listed out the five elements that we think need to be top of mind for Anchors. We have also used our PEAK model to highlight the key capabilities that will be most impacted in delivering to these priorities (with a colour code to indicate the capabilities most impacted by each element).



1 Remember victories will still be earned, not guaranteed

As a large player, it might be tempting to rest on your laurels and watch as the rest of the market scrambles to reach the scale you already have. This would be a strategic error. The government will be paying close attention to the anchors to make sure you are serving members' best interests.

2 Put member outcomes at the heart of your agenda

In a market of only a few players with increased transparency, there will be very few places to hide. Increased transparency and value-for-money frameworks will make comparisons easier. Policy makers will want to ensure that they can prove the new pension world they have built is delivering for members.

3 Industrialise with purpose

Start by looking inward. Get your house in order by managing your own legacy challenges. Consolidating the market can come later. If you are already at scale, focus on simplifying your propositions and systems to provide a strong platform to build on.

4 Leverage existing strengths and lead by example

Anchors are in a strong position, with scale, governance and investment sophistication on their side. Set the tone for governance, service standards, and member communication in a market where choice is limited but expectations remain high.

5 Partner with government to shape solutions

Policy-driven change is accelerating – and master trusts should lead the conversation, not follow it. Engage early with policymakers to shape delivery in ways that protect member outcomes. From productive finance to retirement journeys and member support, there is still work to do.

Source: Altus Consulting, part of Accenture

Conclusion: Megastores are the model – member value must be the measure

Consolidation is reshaping the pensions landscape – driven not by decline, but by design. The transition toward fewer, larger schemes has often been perceived as a loss: the erosion of choice, the end of boutique propositions, the slow homogenisation of the market. But the reality is more complex. The pensions high street is not being demolished – it is being reconfigured. And whether that transformation delivers value depends not on the scale of the structures we build, but on how well they serve the people inside them.

With the publication of the government's final report on the Pensions Investment Review and the introduction of the Pension Schemes Bill, the direction of travel is now clear. Minimum default sizes, a contractual override regime, and a legislative roadmap to consolidation have shifted the market from proposal to policy. The Mansion House Accord adds further weight – committing the majority of active DC savers to a future shaped by private market investment, UK growth, and scale-backed reform.

But ambition must be matched by realism. As our survey shows, the industry strongly supports the outcomes the government is targeting: better long-term returns, improved member value, and a stronger role for pensions in the UK economy. Yet confidence that these reforms will achieve those outcomes is more cautious. In nearly every case, respondents rated the importance of a given outcome more highly than their belief it would be delivered. That gap reflects deep sector knowledge – not resistance, but an awareness of the complexity, interdependency, and execution risk involved in making this agenda work.

International experience shows what is possible when scale is matched by purpose. In countries like Australia and the Netherlands, consolidation has helped unlock stronger investment capability, clearer benchmarking, and more consistent long-term outcomes. But each system has evolved within its own social, regulatory, and cultural context – and this has not been without trade-offs.

What these examples also make clear is that system-wide trust must be actively maintained. It is not a renewable resource that automatically replenishes with reform. Gains in scale and efficiency must not come at the cost of transparency, member confidence, or the meaningful delivery of long-term value. The UK has an opportunity to learn from these systems – not by replicating them, but by shaping a model that reflects its own market dynamics and balances ambition with the diverse needs of its savers.

That balance begins by recognising that consolidation is not the goal. Better saver outcomes are. Shoppers do not return to a store because it is big – they return because it meets their needs. Whether delivered through a megastore or a specialist boutique, we must not lose sight of the fact that pensions will be judged by their outcomes – and by how well they inform, empower, and support members throughout their journey.

Altus Consulting is a strong advocate for reform that puts member outcomes at its heart. We welcome the focus on delivering demonstrable value for money – but we also share the industry's concern that value may not always correlate neatly with scale. If genuine value is being delivered in areas of the market the system is pushing hardest to consolidate, policymakers will face difficult choices. The real test will be whether future oversight mechanisms, including the proposed 2029 review of the market impact and operation of contractual override measures and the Value for Money Framework[10], are willing to prioritise what works – not just what conforms.

Every provider type has a role to play in the future market. For Artisans, survival depends on proving value through evidence, not identity – and, where necessary, preparing for transition while there is still time to preserve what matters most. For Architects, the message is clear: use the transitional window strategically, or risk becoming stranded between ambition and scale. For Anchors, the covenant is deeper. With scale comes not just market share, but market responsibility: to lead not only in AUM, but in culture, governance, transparency and outcomes.

Consolidation will reshape the pensions high street. That much is certain. But the challenge now is to ensure that the megastores we build are stocked with what matters: value, clarity, and trust. The foundations are being laid today – and the measure of success will not be their size, but how well they serve the savers who walk through their doors.

10. Source: *Pension Investment Review: Final Report, p.12*

Altus Consulting whitepapers

With our focus firmly on the regulatory, strategic, propositional, operational and technological challenges our clients face, Altus Consulting understands the most pressing issues for financial services. We publish market insight, industry commentary and are at the forefront of industry debate.

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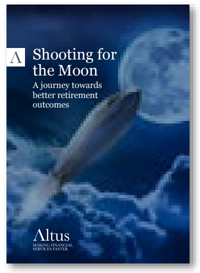


Shooting for the Moon

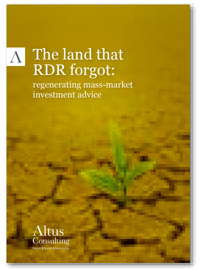
This report provides an in-depth analysis into latest initiatives – the Consumer Duty, Pensions Dashboards and Value for Money (VfM) in DC pensions – in the Regulators' attempt to deliver a truly mass market pensions system designed to deliver good outcomes for all.

AUTOMATING ADVICE

Reimagining Financial Advice

In this whitepaper we examine the role of technology in delivering financial advice and take a close look at how automated advice solutions can enhance the role of the human adviser.

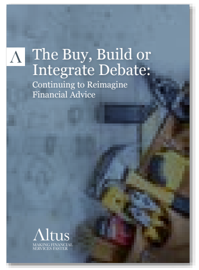
MASS PERSONALISATION



The land that RDR forgot

While the RDR improved advice quality, it also increased costs, leaving millions without the financial support they need for long-term savings. This whitepaper explores the FCA's Advice Guidance Boundary proposals – particularly the introduction of targeted support – as a potential turning point for mass-market financial support. It includes industry polling conducted between March and April 2024.

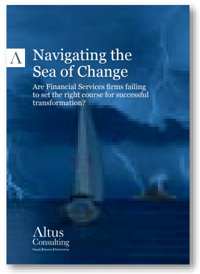
AUTOMATING ADVICE



The Buy, Build or Integrate Debate

The second in our "Reimagine Financial Advice" Series – "The Buy, Build or Integrate Debate" examines what the emergence of global best-of-breed CRM tools means for the UK advice tech landscape, how achievable the curation of an ecosystem comprised of specialist tools is, and whether all-encompassing practice management solutions still have their place.

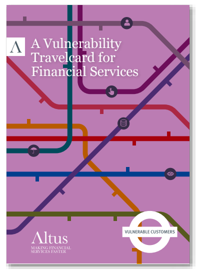
CHANGE STRATEGY



Navigating the Sea of Change

Embarking on any change journey can be a daunting prospect. In this whitepaper, we provide practical insights for organisations facing the mounting pressure of delivering ambitious and complex change programmes in today's dynamic business environment.

VULNERABLE CUSTOMERS



A Vulnerability Travelcard for Financial Services Industry

This report represents some of the most interesting facts and insights from industry experts discussed during our Vulnerable Customers Webinar Series, hosted in 2020.

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