

Guided retirement: the delivery challenge no one is talking about

The success of any policy or product innovation depends not only on its design, but also on its ability to be delivered effectively in practice.

As we move towards a new era of guided retirement, it's time to start thinking about how to turn the idea of default pathways into something which works well in real life. This isn't solely a challenge for administration teams delivering for members, equally it's a strategic issue for providers, trustees and business leaders. Failure for members means failure for everyone.

To deliver successfully means giving equal attention to each stage of development:

- design
- build
- delivery

Policy momentum is growing, invigorating product innovation with new retirement income models and products emerging. Industry discussions around longevity protection, flexibility, targeted support and retirement outcomes are becoming increasingly sophisticated. But, while much of the market conversation is currently focused on the design and build stages of product and investment innovation, far less attention is being paid to delivery. This leaves us with the urgent and pressing question: *How exactly is all of this going to be delivered in practice?*

Operational delivery could be the greatest challenge to achieving successful guided retirements. We need to find a way to overcome this in order to achieve improved member outcomes and to meet the growing concerns around retirement income adequacy.

The operational gap

The recently published PASA paper, [Default Retirement: The Operational Challenge Facing Pension Scheme Administrators](#), explores this issue directly. Policy ambition and product design can only succeed if the administrative infrastructure can support them at scale.

Right now, the capability gap is being recognised, but not yet fully addressed. The direction of travel from Government is now clear. Retirement systems are moving towards a model in which schemes play a more active role in supporting member decision-making and retirement income generation.

Although it all sounds sensible in principle, operationally, it represents a profound shift of approach.

From accumulation to ongoing retirement support

Current DC administration models were largely designed around accumulation and transactional retirement processes. These could be attractive to employers because they involve clear and finite responsibilities which, in most cases, would cease at start of retirement. These responsibilities include issuing the retirement pack, processing the member's decision, paying out benefits and closing the record. The introduction of guided retirement changes this model completely.

Suddenly, administration becomes an ongoing retirement support function. Pensioner payroll, PAYE, tax reporting, cohort segmentation, vulnerability management, communication tracking, governance reporting and long-term member servicing all move to the centre of the operating model.

In many ways, DC administration starts to move structurally closer to DB-style administration, but now across potentially millions of members with far more flexible and personalised retirement journeys. While some providers have experience supporting in-scheme drawdown, uptake has historically been relatively limited and driven by active member choice. Under guided retirement, these capabilities may need to operate across significantly larger member populations and with far greater consistency.

It's for those reasons developments around the delivery stage of guided retirement will require a frank and clear-eyed discussion of what's possible (and what isn't possible). We need to get these discussions on the agenda sooner rather than later to avoid disappointment further down the line.

The delivery window

Current implementation timelines present a significant delivery challenge for the industry. If rumours are true the timetable might be relaxed, we need to make sure any revisions to the deadline will still leave the industry with sufficient time to meet all the requirements in a robust and controlled manner. Current expectations suggest master trusts may need to implement guided retirement frameworks from 2027, with single employer schemes and GPPs following from 2028. Even moving this out by a year or two could present issues, particularly given the backdrop of a consolidating market.

In reality, it leaves administrators around 30 months to design, build, test and implement entirely new operational capabilities. It's worth bearing in mind it could be happening at the same time as administrators are supporting multiple scheme projects, dealing with ongoing regulatory change, and coping with existing BAU service and delivery pressures. The cumulative impact of multiple transformation programmes could place considerable pressure on operational capacity.

Forging ahead with a speedy timetable may not be the best way of maintaining confidence in pension saving or ensuring we receive good value from a thriving and competitive marketplace.

Many paths, many challenges

The challenge is magnified further because the industry isn't trying to implement one standardised model. Different schemes are exploring different retirement pathways, cohorting structures and approaches to balancing flexibility with income security. From an innovation perspective, diversity is understandable but from an operational perspective which relies on standardisation, it introduces huge complexity.

Every variation potentially creates new data requirements, new process dependencies, communication journeys, governance frameworks and greater fragility. Automation will become essential, but automation also increases the scale and impact of errors if controls are weak. This increases the importance of robust controls, governance and resilience frameworks.

In addition, many administrators are still dealing with wider market transformation programmes including dashboards, small pots consolidation, transfer activity and increasing expectations around Value for Money, vulnerable customers, and consumer outcomes. There's a genuine risk the industry will reach a point where operational strain becomes the limiting factor on what can realistically be delivered.

This is why administration can no longer be treated as a downstream implementation function, brought in once product decisions have already been made. Operational delivery and the administrative architecture enabling the legislation, needs a seat at the table now.

The most elegant retirement proposition in the market has little value if it can't be delivered consistently, governed effectively, or explained clearly to members. Simplicity, scalability, and operational resilience may ultimately matter as much as investment sophistication.

Delivery, not just policy

None of this is an argument against guided retirement. The policy intent is positive. Better retirement outcomes, clearer support and more sustainable retirement income frameworks are all worthwhile objectives.

But the industry now needs to focus just as heavily on operational reality as it does on policy ambition. The opportunity is significant, but so too is the delivery challenge. Ensuring administration expertise is involved early in the design of future retirement solutions will be critical if policy ambition is to translate into positive member outcomes. As guided retirement develops, operational readiness must be treated not as a downstream consideration, but as a core component of successful implementation.

And if delivery fails, the benefits guided retirement seeks to achieve may never be fully realised.

Authored by the PASA DC Working Group