BARNETT WADDINGHAM

Part of HOWDEN

DC in Focus

Analysis of large defined contribution (DC) schemes

June 2025

Key trends

The DC landscape has continued to evolve rapidly through 2024 and into early 2025, with scale emerging as a dominant theme. The government's Mansion House reforms have placed renewed emphasis on the role of large DC schemes in delivering better outcomes for members, highlighting the importance of:

- investment in productive finance;
- improved governance; and
- long-term value creation.

Against this backdrop, we've seen continued consolidation across the market with the number of non-micro DC and hybrid schemes falling below 1,000 for the first time, decreasing by 15% to 920 schemes according to a recent publication from The Pensions Regulator (TPR). This will largely have been driven by the consolidation and winding up of smaller schemes.

Large schemes are increasingly being recognised for their ability to deliver greater value through:

- enhanced investment capabilities;
- access to private markets; and
- better member engagement.

At the same time, regulatory focus remains fixed on value for money, transparency, and the quality of retirement support, all of which are key priorities to the schemes navigating this shifting environment.

In this fifth iteration of our annual large DC schemes research, we have once again seen our dataset grow. This year our research has used anonymised data from nine leading DC providers, covering 122 large DC schemes (or large DC sections within a master trust) with combined assets under management (AUM) of just over £157bn. This is compared with the 109 schemes in our 2024 research with combined assets of just under £128bn.

Our thanks go out to the DC providers for their help with the survey. This analysis once again observes the characteristics of DC schemes with AUM in excess of £500m (large schemes), highlighting trends that may indicate future developments amongst large schemes. As these schemes often lead in driving change and innovation, the findings also offer wider market insight.

The data we're reporting on

As in previous years, we have collected a range of data covering:

- **scheme structure;**
- **membership characteristics;**
- **default investment characteristics** including management style, target strategy and environmental, social and governance (ESG) integration;
- **Total Expense Ratio** (TER) for the default; and
- facilitation of at **retirement options** for members.

Additionally, this year we requested further detail capturing:

- **private assets within default investment strategies**;
- **self-select usage**;
- **retirement behaviours**; and
- **member engagement.**

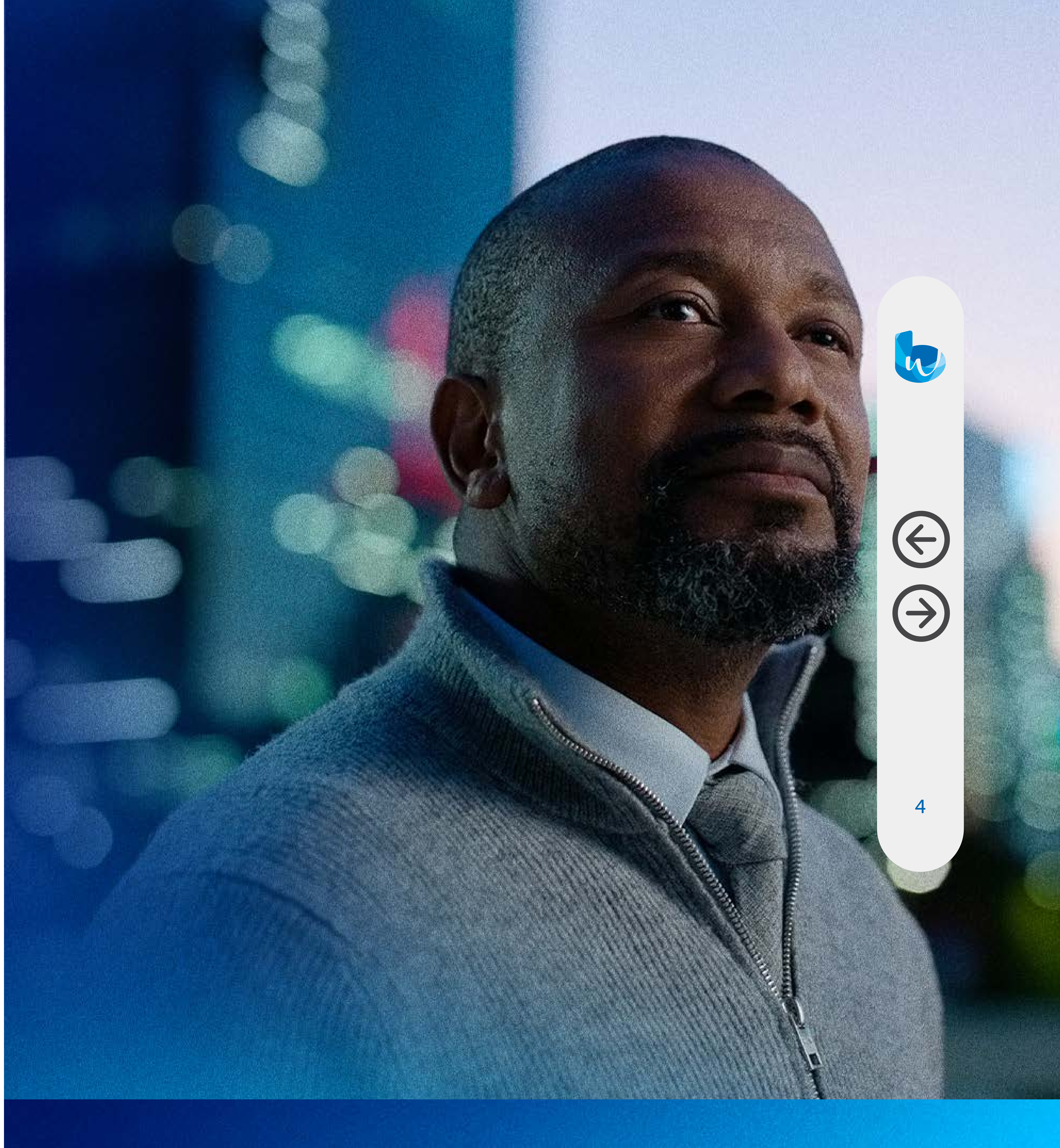
This year our survey was extended to capture **several master trusts as a whole**, providing insights on some of the largest DC schemes in the UK. This detail is in addition to the 122 schemes/sections reported on in detail within the report.

Note: the accuracy of the conclusions in this report is reliant on the data provided which did not contain all the requested fields for all schemes due to commercial and/or contract-based sensitivities. As such, we are restricted to report on the observations from schemes where the information is completed. For some data fields, ranges were provided, and a reasonable estimate is used for the actual value in the analysis.

Complementary research

Our findings

- Numbers of large master trust sections continue to rise
- The average pricing for off-the-shelf default strategies for large schemes has reduced to 0.21%
- The average TERs for the default investment strategies is the lowest we have seen across all types of arrangement - but will it last?
- Assets invested in self-select funds are proportionately higher in large own-trust schemes
- Drawdown is the most popular default strategy target - but does this match what members are doing?
- Member engagement has room for improvement



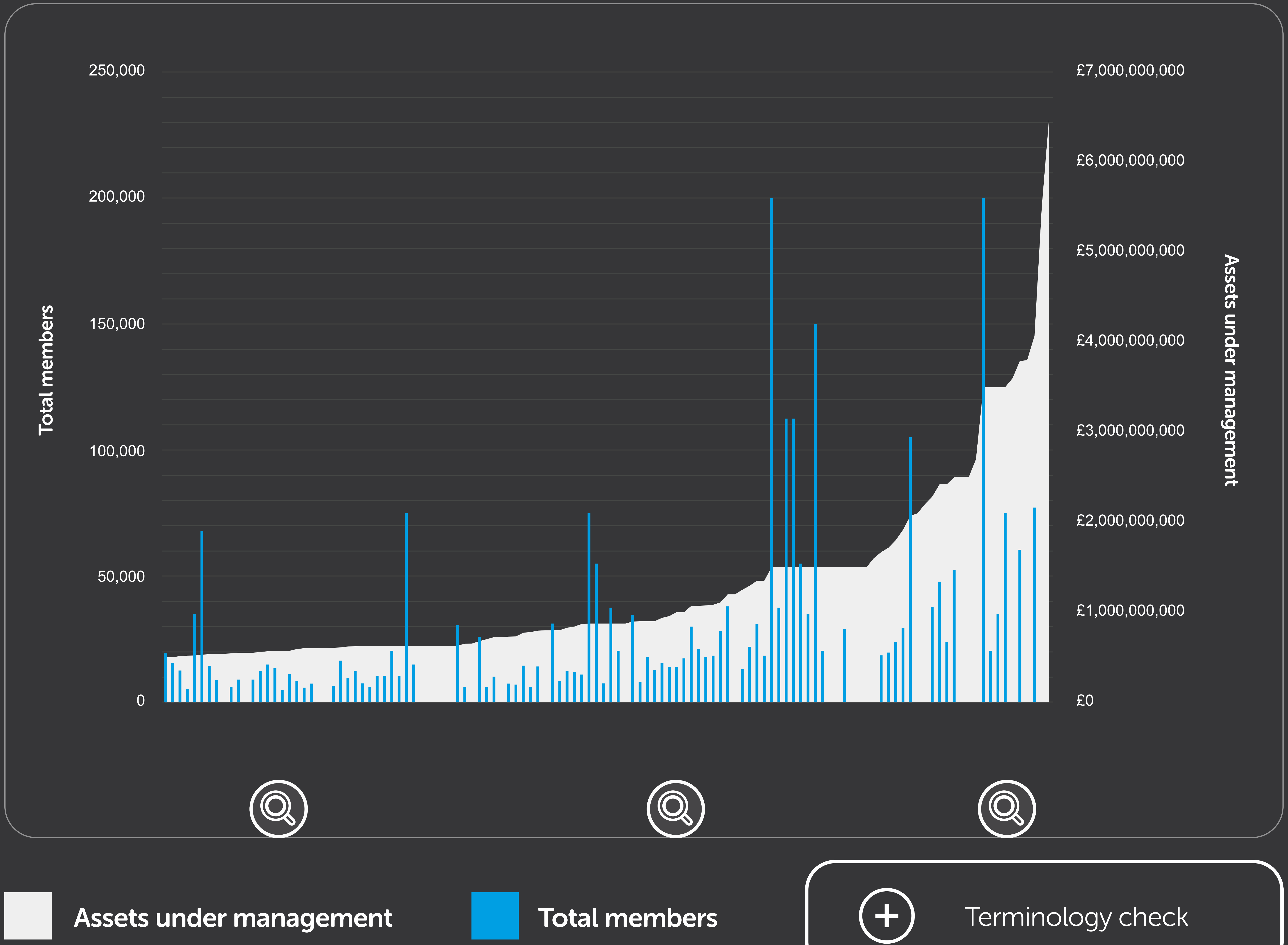
Scheme profiles

Scheme size by assets under management

This year's study examined 122 schemes or sections within a master trust, with total assets ranging from £500 million to £6.5 billion. Among these, 57.4% of the schemes held assets under £1 billion, 26.2% held assets between £1 billion and £2 billion, and 16.4% held assets over £2 billion. These figures are similar to our previous study, but there has been a notable increase in the size of the largest schemes.

Among the top 10 schemes by asset size, six are standalone own-trust arrangements (three bundled and three unbundled), three are sections within master trusts, and like last year there is only one contract-based scheme that made it to the top 10. Our 2024 survey showed seven own-trust, two master trust and one contract-based arrangement making up the top 10.

View members insights



Terminology check

Scheme structure developments

Over the past five years, we have seen a significant shift away from traditional own-trust structures towards master trust arrangements. Since we began this research in 2022, we've been able to make meaningful year-on-year comparisons of the types of structures prevalent across the largest of DC pension schemes.

With the 2025 data, we can still see that master trust sections continue to make up the largest proportion of schemes (34%), similar to 2024. Interestingly, the number of bundled and unbundled own-trusts have remained static, but with the larger dataset they now represent a smaller proportion of the total number of schemes, 18% and 20% respectively. The proportion of contract-based schemes has increased from 22% in 2024 to 27% in 2025. However, the data shows a significant proportional increase for contract-based schemes within the £500-600m AUM range. This suggests that, due to investment returns and/or additional contributions, these schemes have now reached the threshold to be included in our study.

Among the own-trust schemes that provided data on whether their DC assets were part of a hybrid scheme (17 responses), 35% were hybrid. This isn't surprising, given the usual complexities involved in separating hybrid own-trust arrangements where benefits may be connected. Although, we are also seeing a shift in defined benefit (DB) arrangement funding levels, leading a number of trustee boards to consider alternative uses of surplus DB funds - in some cases including funding for the connected DC arrangement. We expect the market will see more innovative solutions in this area if DB funding levels continue to improve.

Terminology check

Focusing on schemes with assets exceeding £1 billion (52 schemes in our dataset), the proportion of master trust sections and standalone own-trust schemes is now evenly distributed, each accounting for just over 40%, with contract-based representing 19%. Historically, own-trust schemes were the most prevalent, accounting for 51% last year (64% in 2023). Conversely, master trusts have increased in this cohort from 35% last year.

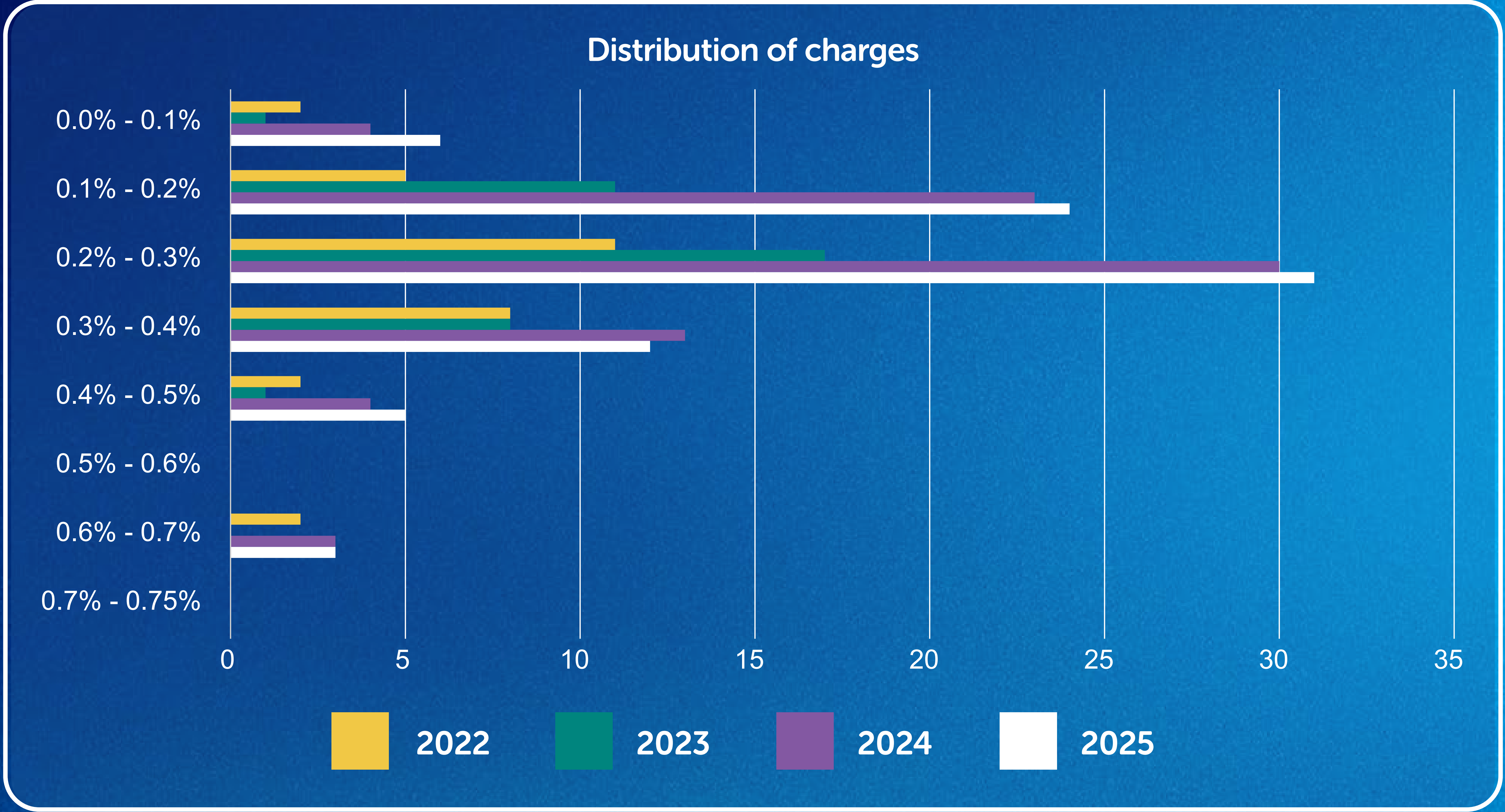
For the first time, for the schemes with assets exceeding £1 billion, we're seeing that there are the same number in master trust sections as own-trust, reaffirming our findings from last year - the rise of master trusts is not merely a consolidation of smaller or poorly governed schemes; they are also being adopted by larger organisations with substantial populations and significant assets under management. Additionally, master trusts offer members highly competitive fees alongside sophisticated propositions, which may explain their growing popularity. We will explore this further in the next section.

Member levied charges

Terminology check

Distribution of average TERs

The chart below shows the distribution of average TERs for the default strategies of each scheme where data was available. For 2025, TER data was collected from 82 schemes (77 in 2024). The average TER across all arrangement types has decreased slightly to 0.247% in 2025 down from 0.260% the previous year. For strategies with time varying TERs we have used the midpoint between the upper and lower bounds to ensure consistency in analysis.



Average TER range by scheme type and size

This year's data continues to show interesting developments in the pricing of default arrangements across different scheme types.

The most notable trend is the continued downward pressure on charges within master trust and contract-based arrangements, with master trusts continuing to have the lowest average TER at 0.21% in 2025, (0.22% in 2024). This reinforces the trend we noted last year, where master trusts became the lowest cost arrangement on average, likely reflecting their scale advantages and competitive pressures in the market.

Average member-borne charges have fallen across most scheme types, with master trusts arrangements remaining the lowest, now at 0.21%.

Contract-based arrangements also saw a significant drop in average TER in 2025, falling to 0.26% from 0.29% in 2024. In contrast, average charges for own-trust arrangements have remained more stable. This relative consistency may reflect the broader diversity and complexity of own-trust arrangements, where bespoke governance and investment structures are more common, as well as the consistency in numbers of schemes in our dataset for this type of arrangement. If there has been little push from trustees on providers to review pricing, we will see less movement than the other type of arrangements, which will be competing for new business.

Scheme type	Average TER				Average AUM*			
	2022	2023	2024	2025	2022	2023	2024	2025
Bundled own-trust	0.34%	0.26%	0.29%	0.28%	£1,201m	£1,343m	£1,089m	£1,352m
Unbundled own-trust	0.27%	0.24%	0.24%	0.24%	£1,109m	£1,534m	£1,494m	£1,500m
Master trust	0.31%	0.28%	0.22%	0.21%	£1,605m	£1,313m	£1,133m	£1,217m
Contract-based	0.26%	0.27%	0.29%	0.26%	£794m	£917m	£920m	£997m

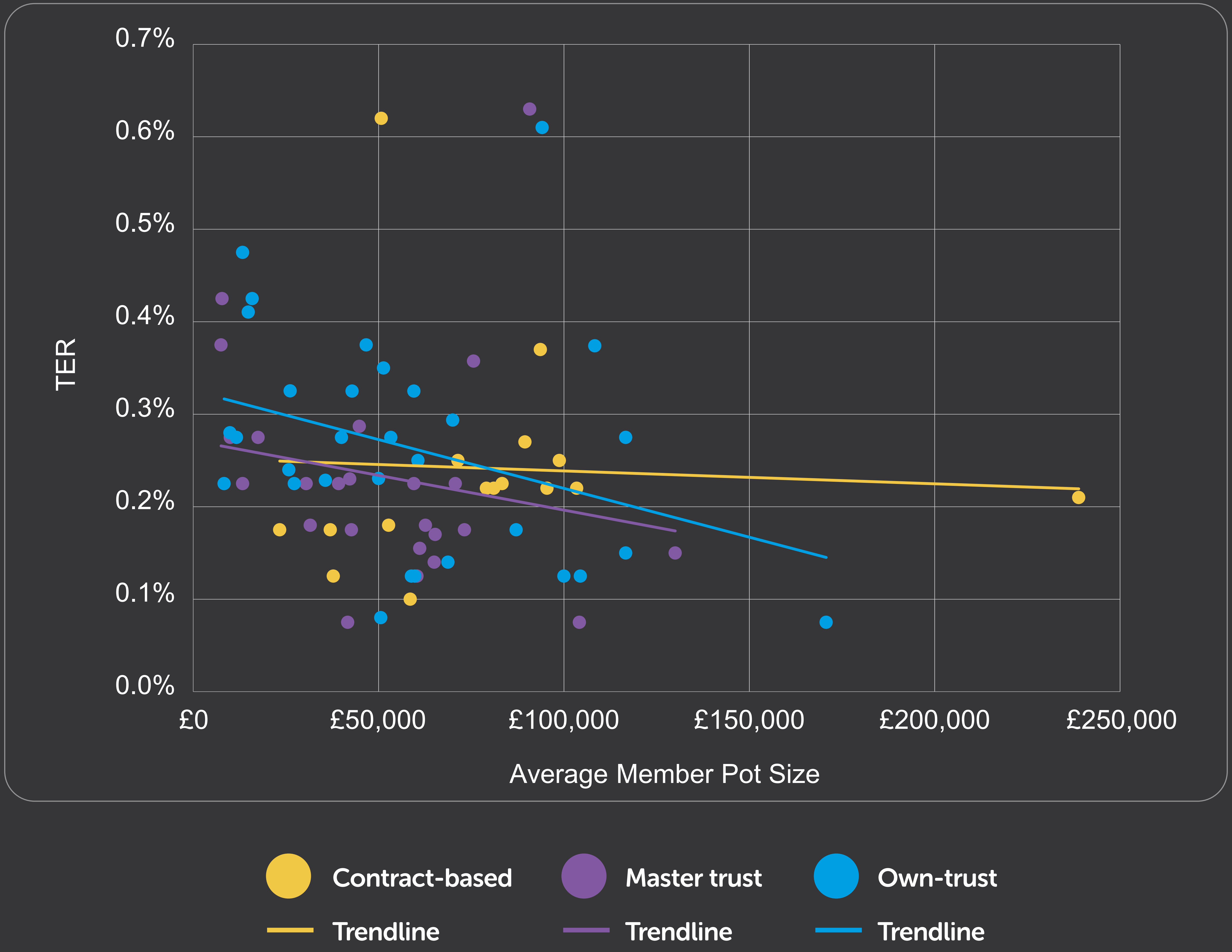
*based on schemes where TER was provided.

View TER chart

TERs against average fund value

The chart to the right shows the TER against the average pot value of members. Overall, ignoring a few outliers, larger average pot sizes tend to be associated with lower member charges, particularly for own-trust schemes. Master trusts display the most consistent pricing across pot-sizes, while contract-based schemes show greater variation.

Our research has also shown that there are several schemes using off-the-shelf defaults that are no longer the respective provider's flagship arrangement. In some cases, these legacy defaults are more expensive due to the costs involved in running them, and relative to flagship offerings, they detract from overall value for members.



TERs considering the investment strategy

As in previous years, examining the types of default strategies continues to offer valuable insights into provider pricing. This year, we observed that off-the-shelf solutions remain lower cost, with an average TER of 0.21% - a slight drop from 0.23% in 2024. Bespoke defaults have maintained 0.28%, continuing to carry a pricing premium likely reflecting greater complexity.

Our data shows some providers offer a narrower range of TERs for their default strategies across the largest of DC schemes, whilst others show more variation, suggesting different pricing models or cost structures. As expected, off-the-shelf defaults benefit from scale efficiencies across multiple schemes and product lines, while the bespoke strategies often incorporate additional layers of costs such as blending, white labelling and greater active asset allocations.

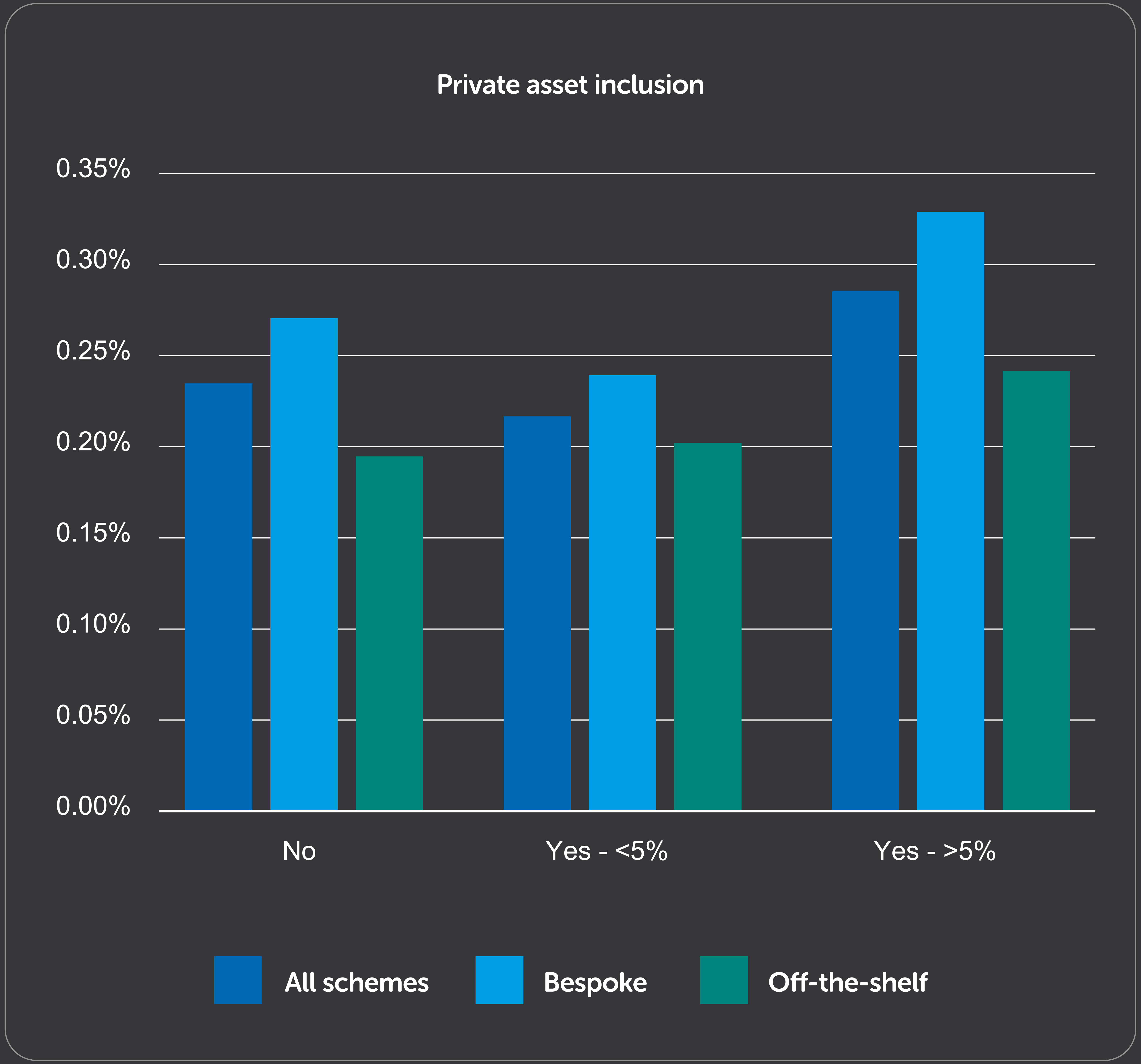
Default type	Average TER	Average AUM*	Average member fund value**
Bespoke	0.28%	£1,333m	£53,265
Off-the-shelf	0.21%	£1,185m	£63,155

*based on schemes where TER was provided
**in respect of arrangements where member numbers were provided

We know from our detailed provider research that the growing momentum behind the Mansion House Accord is beginning to materialise within the default investment strategies being offered, with an increasing number now incorporating private assets into their off-the-shelf solutions. In some cases, this involves layering private assets into existing defaults. In other cases, entirely new 'enhanced' or 'premium' strategies have been launched to provide access to these asset classes.

This development introduces an additional layer of complexity when comparing charges. While these enhanced strategies often aim to improve long-term outcomes for members through greater diversification and access to illiquids, they also tend to carry higher TERs than traditional default strategies.

In our research this year, we asked providers to confirm whether private assets are currently included in the default strategy and if so, whether the allocation is more or less than 5%. The chart on the next page illustrates the average TER for the arrangements that provided the data based on the allocation to private markets.



Unsurprisingly, for the higher asset allocations there is a respective increase in TER. This highlights the importance of not just comparing charges but understanding what sits within the investment solution itself. In a market where transparency and value for money are under increasing scrutiny, it's more important than ever for trustees and sponsors to go beyond headline costs and assess what members are actually invested in.

As providers and trustees respond to the Mansion House agenda, we're seeing a growing number of default strategies incorporate private assets which has an impact on TERs. This highlights the importance of understanding not just how much the default strategy costs, but what members are actually invested in.

Large scheme investment characteristics

This section considers the preferred management styles, growth drivers, and inclusion of environmental, social and governance (ESG) factors in the default strategies used within the schemes in the dataset, as well as providing data on self-select usage by members.

The shift away from lifestyle strategies has continued, albeit at a slower pace. In 2025, 76% of schemes are still using a lifestyle approach, down slightly from 77% last year and 90% the year before. This trend reflects the growing adoption of target date funds, particularly within off-the-shelf defaults where usage is somewhat evenly split across our dataset, with 24 out of 57 schemes now adopting this structure.

By contrast, lifestyle strategies remain dominant in bespoke arrangements, with 48 out of 50 schemes still favouring this structure, although this likely reflects the practicalities and costs for developing target date funds for individual arrangements.

Terminology check

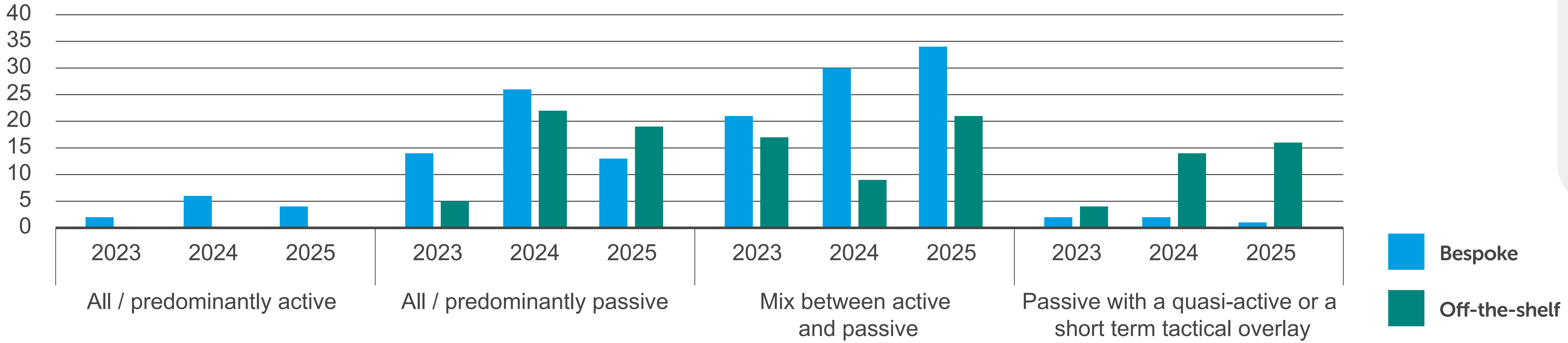
Preferred management style

While the numbers of schemes with the default predominantly invested in actively managed funds remains low, the use of some level of active management remains widespread - either through a blend of active and passive management or via passive strategies with the quasi-active or tactical overlays.

In 2025, over half of all schemes featured this kind of hybrid approach. Notably, off-the-shelf solutions account for a significant share of mixed management and tactical overlay strategies. This reflects a continued trend from recent years, as providers increasingly seek to differentiate their propositions with cost-conscious constraints while introducing more dynamic elements to default design.

More details on the providers off-the-shelf default strategies can be found in the report, DC in focus: default investment strategies 2024.

Default management style

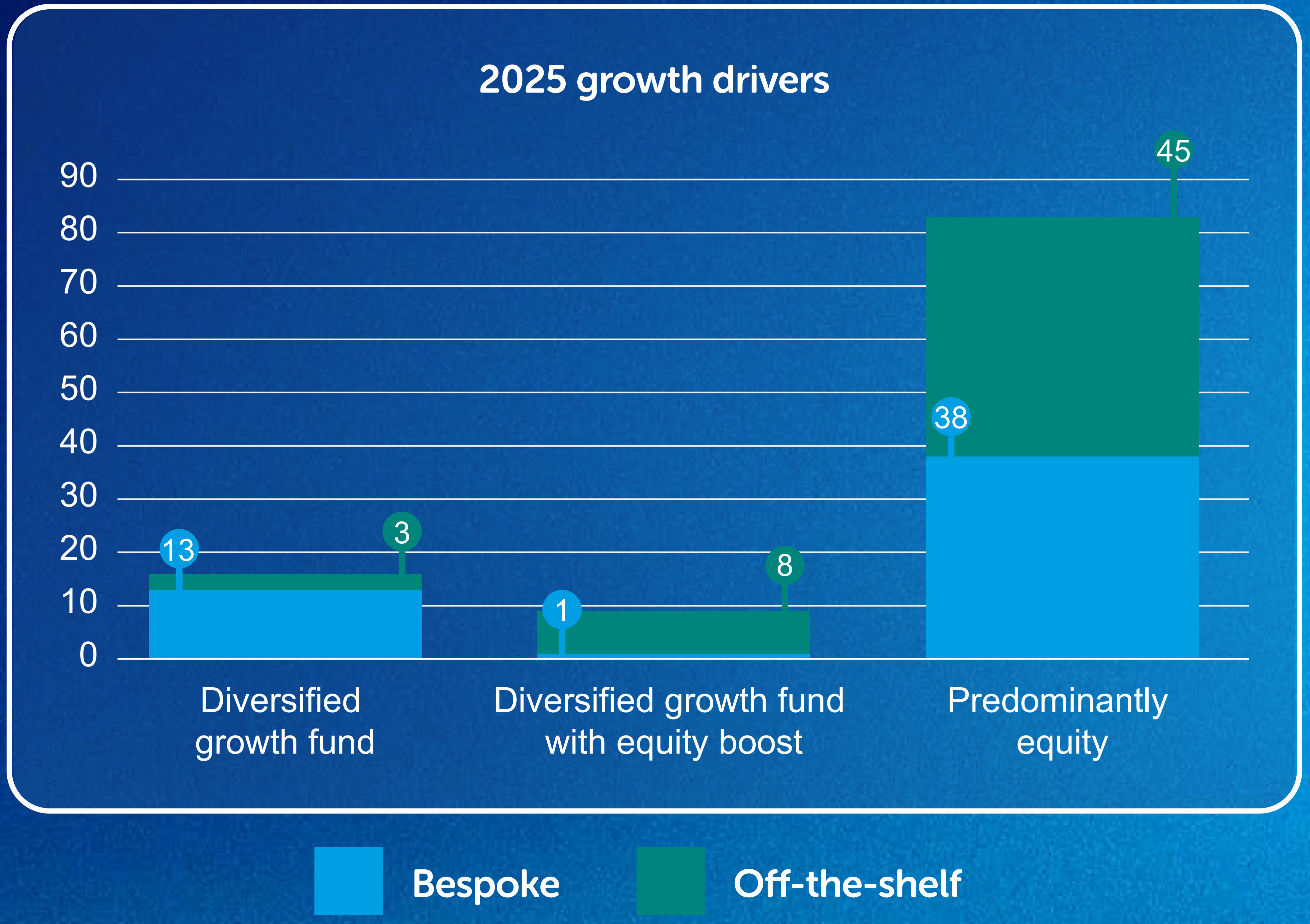


Analysis of large DC schemes

Growth drivers

This year's data continues to reflect a high proportion of default strategies that are predominantly equity-based during the accumulation phase.

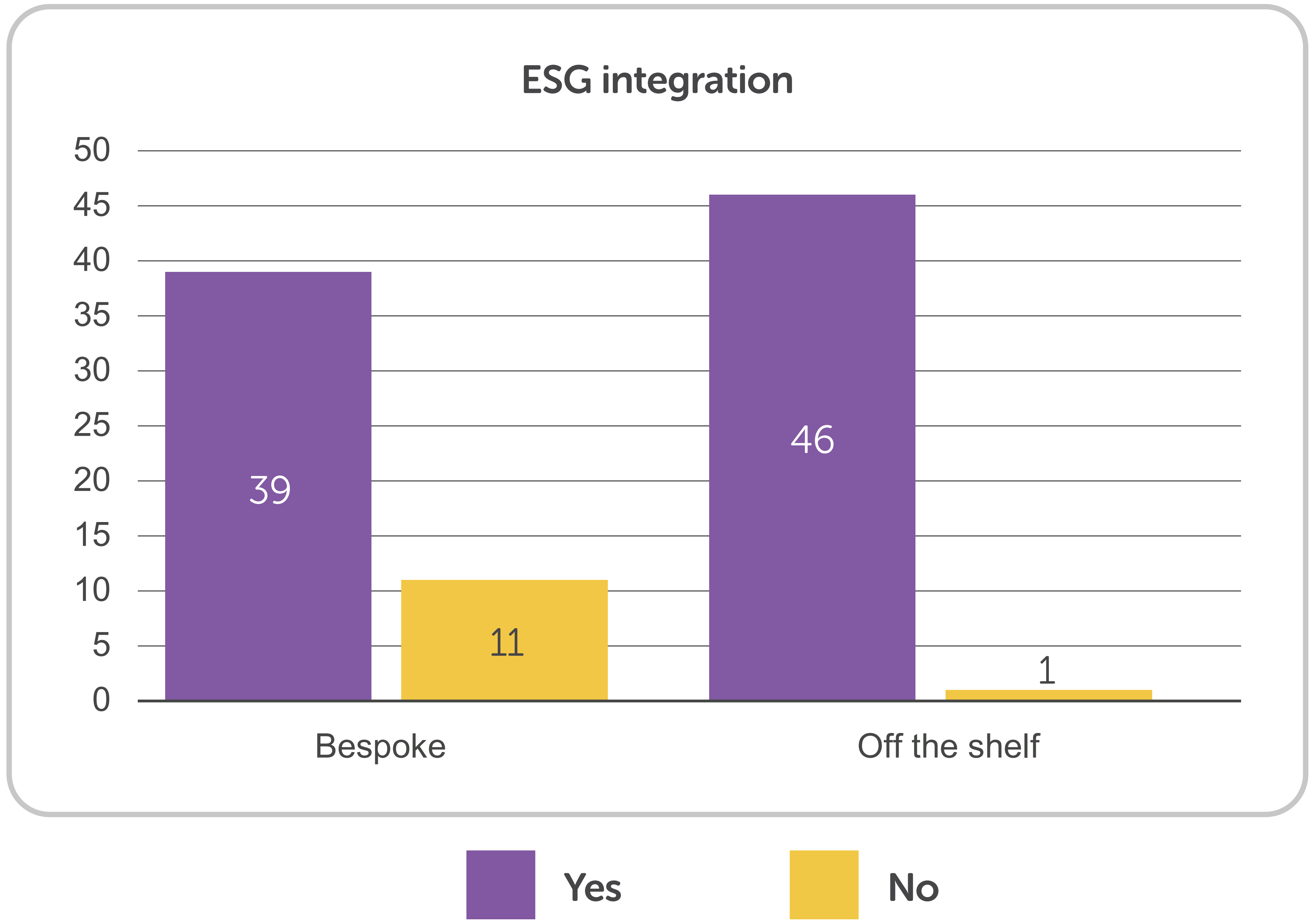
While a significant cohort - around a quarter of schemes - are still using diversified growth fund (DGF) components, around a third of those still include equity tilt or boost. This suggests schemes are still navigating the balance between managing short-term volatility and maintaining growth potential, all while remaining conscious of the impact on overall charges within the default strategy.



ESG integration

This year, there are 12 schemes in the dataset where ESG principles are not embedded into the default investment strategy. 11 of these schemes use bespoke defaults and only one relies on an off-the-shelf arrangement. A third are unbundled so the response could reflect the providers' limited insight into the wider scheme considerations and inclusion of ESG.

For the bundled arrangements, the trustees or sponsor have made a conscious decision to not embed ESG principles into the default strategy. That said, ESG integration remains the norm overall, with 39 bespoke and 46 off-the-shelf defaults including ESG principles - highlighting the broad industry shift towards responsible investment.



Default and self-select funds

As part of our research this year, we requested data to better understand the allocation of assets between default strategies and self-select fund options.

This data was provided from 43 schemes, showing approximately 81% of total assets are held within the default investment solution (£38.6 billion), with the remaining 19% in self-select funds (£9.2 billion). Interestingly, this was the same proportion regardless of whether a bespoke or off-the-shelf strategy was used for the default.

However, when broken down by scheme type, we noted the following:

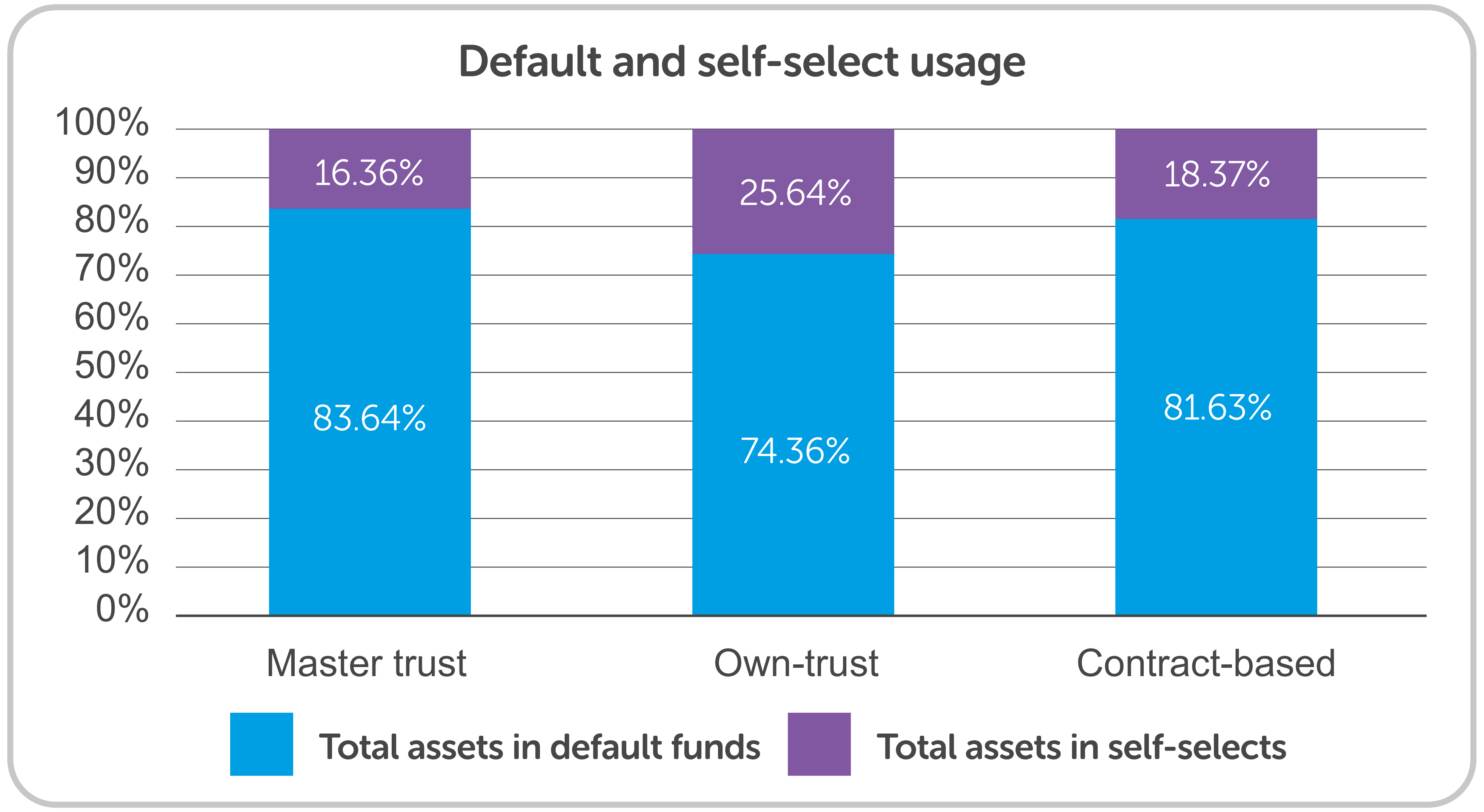
- Master trust schemes had 84% of assets in the default and 16% in self-select funds.
- Contract-based schemes were similar to master trusts, with 82% in defaults and 18% in self-selects.
- Own-trust schemes showed a lower default reliance, with 74% of assets in defaults and 26% in self-selects.

Master trust

Further insights

These figures highlight the continued importance of the default strategy as the primary destination for member assets, particularly within master trusts and contract-based arrangements. Whilst we don't have more information to fully put this into context, and we recognise the significant progress providers have made in tailored communications recently, this could reflect that own-trust trustees are often better at understanding and focussing on areas of increased investment education that connects with their members, helping to boost member engagement.

This data reinforces the critical role of the default in shaping member outcomes and the importance of ensuring these strategies are robust, well-governed, and aligned with long-term objectives. The chart below illustrates how the allocations differ for the average master trust, own-trust and contract-based schemes from our 2025 dataset respectively.



At retirement options

The Pension Schemes Bill places new expectations on trustees of DC schemes to support members as they move into retirement.

We are expecting this to be confirmed in legislation during 2025/2026 with guidance thereafter on how trustees can meet these expectations considering appropriate retirement income solutions, either through in-scheme provision or by partnering with third parties. This aims to ensure members who do not make choices still access sustainable, well-governed retirement options. Furthermore, TPR has confirmed that one of the priorities for innovation in the market should be regarding decumulation.

As we have reported in previous years, most of the large schemes have already established options for members at retirement and this year we have seen some change in what is being offered, with a significant drop in those providing an independent service - only 10% of those schemes which have responded to this data request compared to 24% in 2024. On the other hand, those using a to-and-through solution has increased from 62% to 71%. The bolt-on master trust approach continues to be popular with own-trust arrangements, which has increased from 14 schemes to 18 schemes in our dataset.

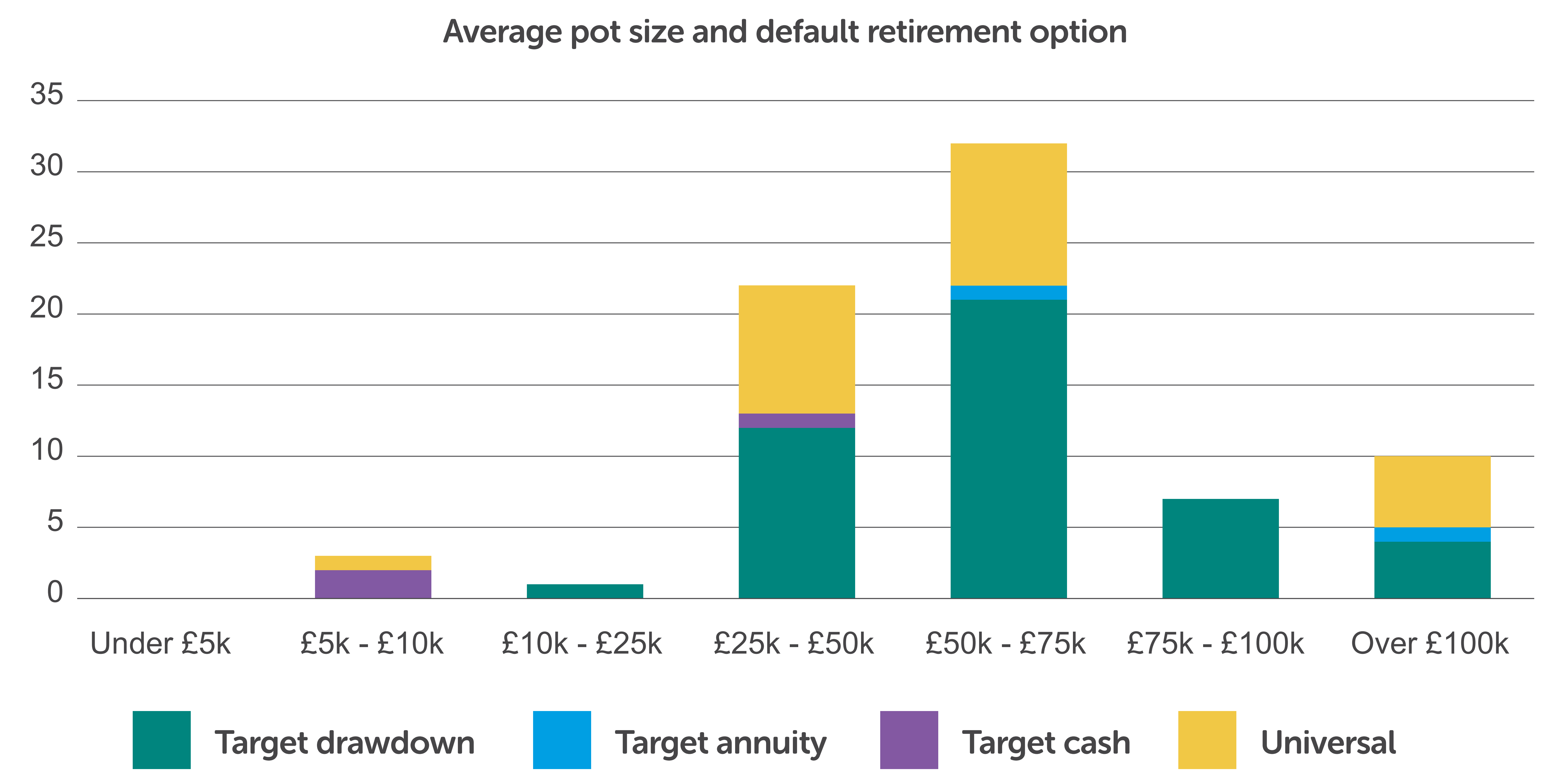
Developments by the providers have continued throughout the year with many now building models to support members recognising the varying needs through retirement - we welcome innovation in this area to better enable members to manage different stages in retirement with more holistic solutions.

What are schemes targeting?

Drawdown is still the most popular target for investment default strategies, chosen by 56 out of the 106 schemes which have provided the data. A universal outcome target is used by 37 schemes with only nine targeting cash and four targeting annuity purchase.

The current average fund value for members of schemes targeting cash was substantially lower at £15,000, compared to average pot sizes of £63,000 for those with the other targets. It should be noted that for unbundled schemes it is not possible to confirm average fund values, as membership numbers are not provided (the chart to the right shows the detail where membership numbers are known).

It's important for target endpoints to align with how members are expected to take benefits to ensure the investment strategy supports their chosen retirement path, helping to manage risk and maximise outcomes as they approach retirement. We note that there are a number of schemes where, in our view, the target end point does not align with how we would expect members to take their benefits. We encourage trustees and scheme sponsors to consider this as part of their on-going governance and triennial investment reviews to ensure the strategies are best placed to meet member needs.



Master trust

What are members doing?

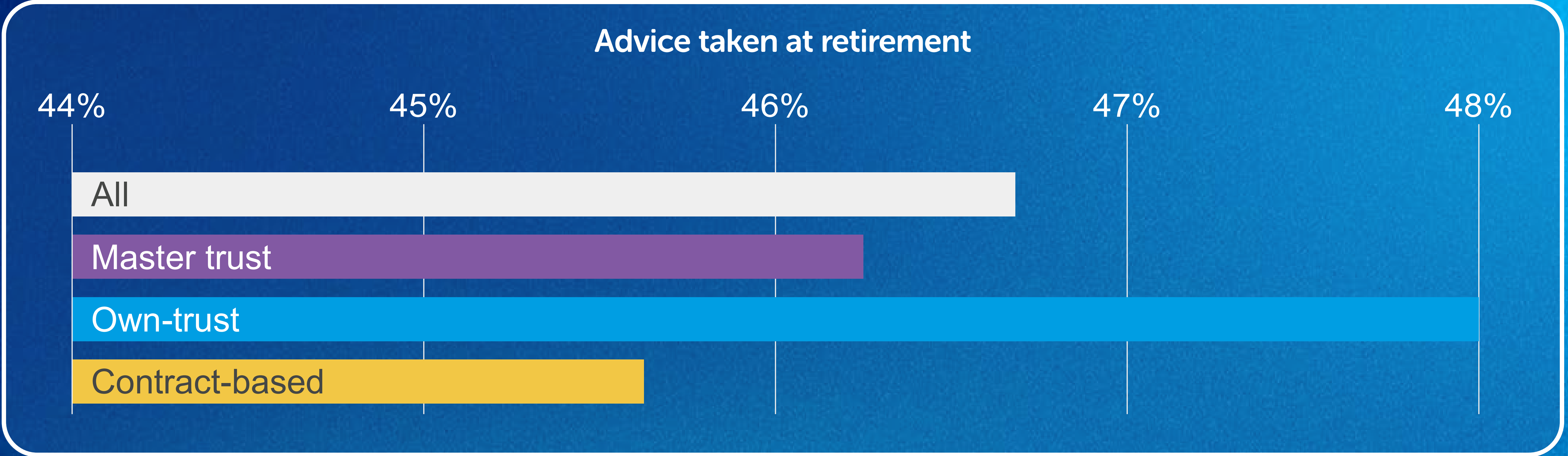
In our 2024 report, we noted that BW's wider, independent provider research shows all main providers can facilitate offering full flexibilities for members of schemes. However, some schemes may have self-imposed restrictions on how they permit members to take benefits, for example many own-trusts will not facilitate in-scheme drawdown.

This year, we requested additional data regarding member behaviours at retirement. We were provided with data from 33 schemes, including 14 master trusts, 11 own-trust and eight contract-based arrangements. Across these schemes 47% of members who retired in the past 12 months took some form of retirement advice (for five out of six this was available from the provider). The proportion was broadly consistent across all scheme types, although just slightly higher in own-trusts.

It's an encouraging sign that almost half of the members at the point of taking benefits sought advice. Although, it also highlights the need for schemes to continue promoting access to quality advice and support as part of the retirement journey, given that for many members, this will be one of the most significant financial decisions they will make.

In addition to capturing advice trends, this year's research also looked at the retirement choices of approximately 33,000 members who began accessing their benefits in 2024. As expected, full Uncrystallised Funds Pension Lump Sums (UFPLS) and small pot lump sums are the most selected options across all scheme types.

It is also common for members to designate to drawdown and take the tax-free cash without then drawing an income. We know that the annuity market has also seen an increase in the last couple of years, reflecting changes in investment markets and the pricing of annuities. However, the number of people purchasing an annuity is still significantly lower than those cashing out benefits, although to some degree that may reflect fund sizes of those drawing benefits, considering the DC market is still relatively immature and typically many retiring now will likely also have access to some DB type benefits. Both factors will change in the years to come and this underscores the importance of offering a range of well communicated options to suit different member needs and preferences.



Member engagement

Member engagement is a critical pillar for better outcomes at retirement, particularly as members approach retirement age and are faced with increasingly complex decisions. Engagement not only supports better day-to-day decision making but is essential in helping members make well-informed choices about how and when to access their savings. Without it, there is a risk that individuals may not fully understand their options or miss out on valuable guidance and support.

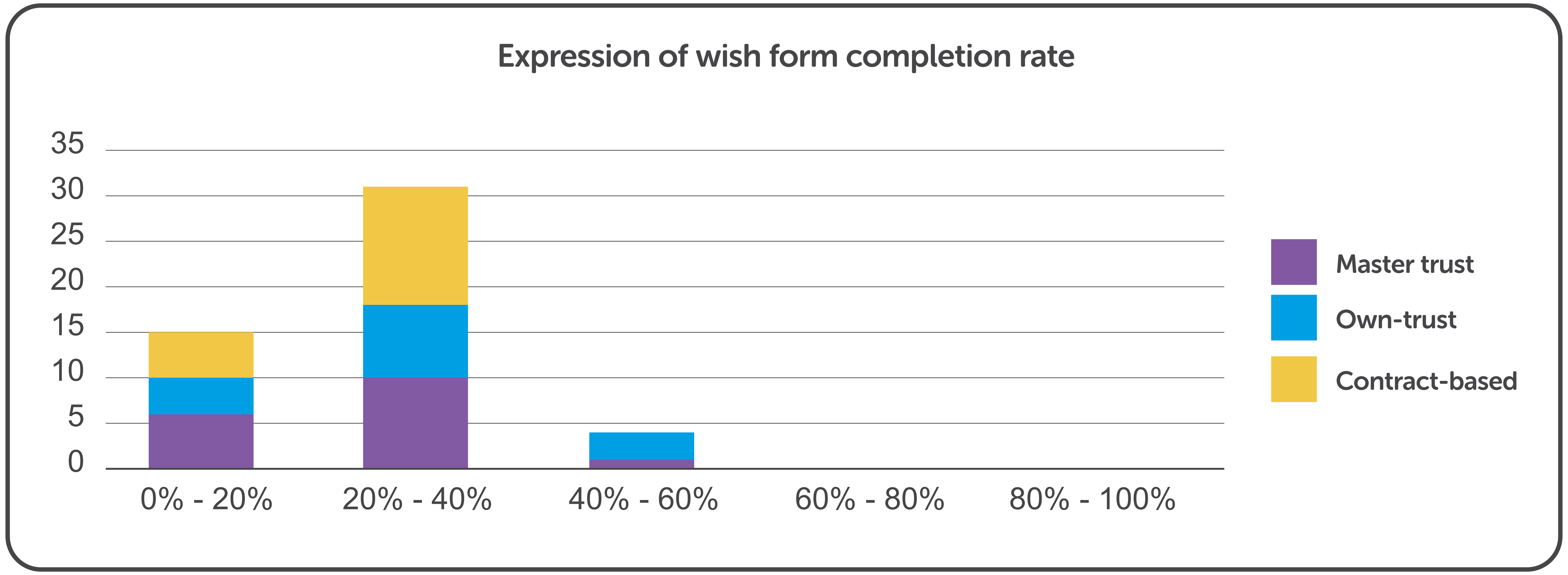
This section looks at some key engagement indicators to provide insight into how actively members are interacting with their pension arrangements and by extension, how well positioned they are to make informed decisions at retirement. These include:

- expression of wish form completion rates;
- online portal registrations; and
- app usage.

Disappointingly, but perhaps unsurprisingly, the majority of schemes reported low expression of wish completion rates, with most (31 out of 50 where data was provided) falling between 20 to 40%. Only four schemes reported more than a 40% completion rate - three of these were own-trust schemes.

This highlights a persistent challenge for any administrator encouraging members to take even the most fundamental actions related to their pension planning. While completing an expression of wish form plays a crucial role in ensuring member wishes are accounted for in the event of death, the low uptake reinforces the need for continued focus on improving engagement and communication throughout the member journey. With the publicised changes to inheritance tax on unused pension benefits and the proposed tight timescales for administering benefits after death, this will become an even more pressing issue in the future.

+ Master trust

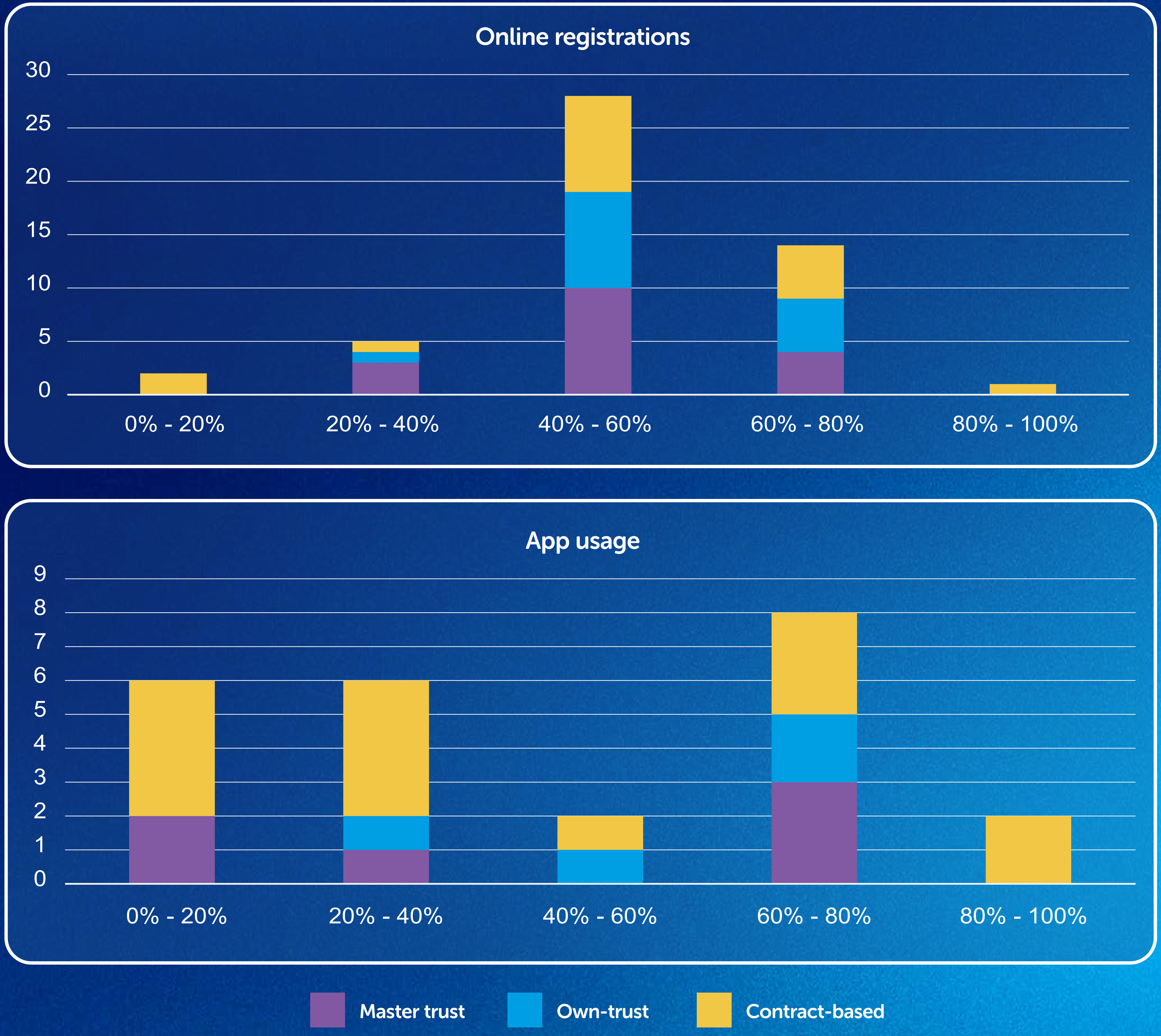


Low expression of wish form completion rates point to broader issues with member engagement, highlighting the need for schemes to better connect with members through their savings journey.

One way to address this is through improved digital engagement, making it easier for members to interact with their pensions, update important information, and access tools and support. The following chart looks at levels of online portal registrations and app usage across schemes, offering further insight into how digitally engaged members currently are.

Master trust

Further insight



Analysis of large DC schemes

BARNETT WADDINGHAM

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Our DC team has extensive experience supporting clients with large DC schemes, successfully delivering improved member outcomes with data-driven innovative member journeys. In addition, due to our independence, we're able to maintain truly impartial, whole-of-market provider research.

If you would like to discuss the details in this report then please email DClargeschemes@Barnett-Waddingham.co.uk or get in touch with one of our experts.

Read more about our DC pensions consulting services.

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