Summary
• Institutional and retail pensions differ significantly in structure, governance, cost, member engagement, and investment strategy.
• Retail models lead on technology, flexibility and customer-centric design, while institutional schemes benefit from scale, fiduciary oversight, and employer backing.
• As regulatory reform and technological innovation gather pace, both models are being pushed to adapt, raising the question: Could greater convergence lead to better outcomes?

Common ground

With the ever-evolving pensions landscape in the UK, can retail and institutional pensions learn from each other – or are their differences simply too vast? Paige Perrin explores

Institutional and retail pension schemes ultimately serve the same purpose – helping people save for retirement – but they operate in "fundamentally different ways", PensionBee chief business officer UK, Lisa Picardo, says.

This divergence between these two types of schemes can be observed in everything from the governance and investment decisions to member engagement and product innovation.

Picardo also says that many individuals now hold both types of pensions simultaneously, juggling active and deferred workplace pots alongside personal plans. This overlap suggests these models not only coexist but have the potential to complement one another.

Yet, despite this, coordination and cross-learning between institutional and retail schemes remain limited. But just how different are they in practice? And can they truly learn from each other?

Investment strategy

Arguably, the biggest difference between institutional and retail schemes lies in how investment decisions are made and who drives them.

"The vast majority of members in institutional markets didn't actively choose their investment. Conversely, retail savers all actively opted into investment either via an adviser or through the non-advised route," Hymans Robertson head of DC markets, Paul Waters, explains.

Picardo highlights that institutional schemes are often employer-driven, supported by auto-enrolment, with both employer and employee providing contributions.

Retail pensions, by contrast, serve individuals directly, offering a range of providers and products personalised to the investor.

Picardo notes that retail pensions are "particularly valuable" for consolidating multiple old workplace pots or for the self-employed who lack access to auto-enrolment through a workplace scheme.

AJ Bell director of public policy, Tom Selby, points out that while both pension types share the goal of delivering retirement incomes for millions, the investment approaches and governance structures underpinning them are "very different".

Retail pensions such as self-invested personal pensions focus on delivering choice, flexibility and value to individual investors, allowing investors to build personalised portfolios from stocks, funds, and bonds.

For these schemes, many platforms provide simple, risk-based multi-asset portfolios for those less inclined to manage investments personally.

Asset allocation therefore varies by individual preferences and retirement stage.

Selby also notes the retail market's competitiveness, which incentivises firms to offer low-cost, customer-centric solutions.

In contrast, Selby points out that institutional schemes manage "much larger" pools of assets invested on behalf of a large number of savers. This scale not only enables investment in more illiquid assets but also is covered by fiduciary duty to act in the client's best interests.

Fidelity International head of investor product, global platform solutions, Georg Bauer, highlights the "strong demand" among institutional clients for delegated investment strategies, where professional managers make investment decisions on their behalf.

He also notes "significant" innovation in new investment solutions designed to provide individual investors with flexibility throughout retirement, helping them achieve personalised objectives.

Regardless of the model, considerations such as aligning investments with retirement goals, age, values, or preferences – including options like climate-conscious or Shariah-compliant investments – remain common.

Cost

Waters says that institutional pricing is already "significantly lower" than retail pricing, yet members often transfer from workplace to retail propositions at retirement – despite higher fees.

This, he says, may reflect perceived value or flexibility in retail offerings.

However, he points out that price competition in retail is intensifying, with charges falling – a trend he expects to continue.

Several pension professionals attribute this shift to both the downward pressure from institutional pricing and the growing availability of low-cost investment options in the retail space.

While many of these are described as "passive", Waters cautions that they are not necessarily low-risk, as they often rely heavily on fund managers' views.

"It's important that investors challenge their managers to understand and get comfort in the decisions that are being made on their behalf," he adds.

In the advised retail market, Waters anticipates that, on the back of consumer duty, there could be a "greater" focus on value and pricing.

"We anticipate adviser firms focusing on the robustness of their processes, how they can evidence value and how they can most efficiently utilise technology," he says.

Picardo says, meanwhile, that institutional schemes tend to involve more complex asset allocation strategies, determined by trustees or consultants on behalf of members, potentially bringing additional complexity and fees. She explains that certain providers use tiered pricing models based on asset classes.

"Ultimately fees charged to members of retail pensions will depend on many elements, including the nature of the underlying asset classes that the funds are invested in," Picardo says. "Pricing in personal pensions must be transparent and simple."

Engagement with members

This need for transparency extends beyond pricing to how pension schemes engage with their members. Waters says communication styles reflect differing member expectations. He claims retail members often have face-to-face meetings with advisers and receive higher-level written communications and tech-led communications, while institutional communications are "more basic due to their catch-all nature".

However, he points out that institutional communications are "quickly catching up" to their retail counterparts through workplace pension apps.

People's Partnership chief operating officer, Angela Staral, also notes this trend, saying: "Increasingly, workplace and retail pensions are delivered via similar platforms, offering comparable member experiences across both".

She says the "fundamental difference" lies in distribution: "Workplace pensions are typically mediated by employers, with communications often integrated into broader HR strategies, while retail pensions focus on direct-to-consumer marketing".

"That said, member communication strategies are converging. While employer involvement remains central to workplace schemes, we're seeing a move towards personalised, multi-channel engagement that mirrors what retail pension providers have long employed – especially as digital expectations rise across all demographics."

People's Partnership chief information officer, Nigel Rodgers, says: "Technology forms the backbone of scalable, consistent pension experiences across both sectors."

Rodgers notes that tools and platforms are increasingly similar across sectors, saying that pension apps – originally a retail innovation – are now driving engagement in workplace schemes.

People's Partnership proposition director, Kirsty Ross, emphasises that emerging technologies like AI are set to increasingly boost efficiency, engagement, and customer support.

Bauer notes while both sectors are becoming more digitally enabled, institutional savers typically favour "simple, guided tools", whereas retail clients often seek "deeper functionality and greater control".

Despite what seems like promising advancements, some providers in the institutional space still operate legacy systems with fragmented administration, and use paper-based processes, which Picardo says creates a "poor" user experience for members, who may struggle to access "clear, timely" information and to be engaged in the way that they should be.

Aviva head of pension engagement, Laura Stewart-Smith, says how individuals interact with their pensions is important in terms of communication.

Institutional schemes, which often have many auto-enrolled members on default plans, tend to focus on early engagement and encouraging actions such as consolidating pension pots from previous employers.

In contrast, retail pension holders are generally more engaged and often have specific goals such as legacy planning or tax efficiency.

Given this, Stewart-Smith says neither group is homogenous and communications should be "inclusive and flexible".

Regulatory advancements

Pension regulation is another element in both types of schemes that are rapidly evolving, with Waters highlighting the "massive regulatory changes" underway for institutional pensions.

In particular, he points to the Mansion House Accord, which is driving investment in private markets, and the Guided Retirement concept in the Pension Schemes Bill, which is promoting the development of "a new generation" of decumulation solutions. Additionally, consolidation within the institutional market is gathering pace.

Rodgers also notes that consolidation models for deferred institutional schemes have been "widely embraced", particularly by major pension providers over the past few years.

"Good ideas tend to travel well, regardless of the channel they originate from. Providers continuously observe each other's developments and refine their offerings incrementally – it's less about workplace versus retail and more about looking at innovation across the board, especially with such important issues as pension engagement, which are fundamental to the success of the industry as a whole," he says.

On the retail side, Waters expects the non-advised retail market to experience the most change as regulation evolves.

A key advancement in this area is the Financial Conduct Authority's Advice and Guidance Boundary Review, which Hargreaves Lansdown head of retirement analysis, Helen Morrissey, describes as a "game changer" for client engagement.

"Being able to offer more support in terms of more personalised options based on what 'people like you' do will fill an important gap in helping people to make more informed decisions and achieve good outcomes in retirement," she says.

"There's plenty of scope for cross-sector learning…. The best outcomes will come from combining the strengths of both"

Cross-sector innovation and future outlook

Despite structural and regulatory differences, industry experts believe there is "plenty of scope for cross-sector learning" between retail and institutional pensions to learn from each other, and, in doing so, improve outcomes across the board.

Picardo highlights the distinct strengths of each: "Retail has led on technology, transparency, customer choice, engagement and experience. Workplace schemes play an important role in facilitating auto-enrolment, bringing scale and cost efficiency.

"In an evolving regulatory and market environment, the best outcomes will come from combining the strengths of both to deliver fair, simple and trusted pensions for all."

Ross agrees that regulatory shifts can act as a catalyst for cross-sector improvement. In particular, she points to the value-for-money (VFM) framework as a key driver of raising standards in institutional schemes, warning that regulatory consequences for underperformance are "potentially severe."

Ross adds that initiatives like pensions dashboards and targeted support will "enhance transparency and guidance" for members, across both retail and institutional pension schemes.

She believes that default decumulation should improve outcomes for non-advised customers in workplace DC pensions, noting that the 2015 pension freedoms have shown that retirement decision-making is "just too hard" for many, making additional support essential.

Looking ahead, Stewart-Smith expects "significant" regulatory change in the institutional space over the next three to five years, which could lead to greater diversification in default investments, stronger VFM frameworks, and more structured support at retirement, such as income for life solutions.

She emphasises the importance of these changes that are "stimulating innovation", which the retail and institutional markets are responding to.

As the UK pensions landscape evolves, the lines between retail and institutional offerings are beginning to blur. While each sector has its own structures, strengths, and regulatory pressures, mutual learning and innovation are clearly driving progress.

With rising regulatory scrutiny, advancing technology, and growing member expectations, the focus is shifting toward more personalised, value-driven, and accessible pension experiences. The industry has a real opportunity to create more inclusive and efficient solutions that better serve savers throughout their retirement journey.

Written by Paige Perrin