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Reframing retirement design in the UK

State Pension research and potential solution enhancements for LifePath in the UK

September 2026

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Foreword

Since pioneering target date investing in 1993, the objective of the LifePath® funds has remained consistent: **to help retirement savers accumulate wealth and convert it into consistent spending throughout retirement.**

Lifecycle design is not static. We continuously refine our assumptions to reflect updated capital market expectations, changes in longevity and mortality projections, and structural shifts in regulation, demographics and retirement behaviour.

Most refinements result in incremental adjustments to long-term risk levels. At times, however, structural developments in the retirement system warrant a more fundamental reassessment. In the UK, policy and regulation are increasingly focused on retirement outcomes and encourage a whole-portfolio perspective that considers all sources of income in later life. Against this backdrop, we examine the explicit incorporation of the UK State Pension into our modelling framework and assess how recognising this inflation-linked income floor may influence the appropriate level and timing of risk taken over a saver's lifetime.

Authors

Michael Pensky, CFA
CIO, Retirement Solutions

Matthew Galligan, CFA
Lead Strategist,
EMEA Retirement Solutions

Contributors

Vincent Cocula, PhD
Senior Researcher,
Retirement Solutions

Timothy McDade, PhD
Senior Researcher,
Retirement Solutions

Eleanor von Klot-Pridgeon
Strategist, EMEA Retirement Solutions

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The evolving UK retirement system

Over the past decade, the UK has materially strengthened its defined contribution (DC) framework. Many reforms and regulatory initiatives all share a common theme: they encourage a more holistic view of retirement solutions and are anchored in outcomes-oriented success measures. These include:

- The growing adoption of **Pensions UK Retirement Living Standards,** which implicitly include State Pension in their gross retirement income benchmarks,
- The FCA's efforts to improve outcomes for savers in non-workplace pensions by requiring defaults[1],
- The evolving **Value for Money (VFM) framework** seeking to move providers toward solutions that deliver the best possible long-term retirement outcomes for savers.

In many of these initiatives, retirement success is no longer measured solely by the size of a DC pot. It is increasingly evaluated in terms of sustainable income, spending stability, and the interaction between private savings and public benefits. In short, UK policy has moved toward a **whole-portfolio perspective** that recognises both liquid investment assets and guaranteed income sources.

LifePath's modelling in large DC markets globally has historically been cautious about incorporating state benefits, particularly where those benefits are highly earnings-linked and heterogeneous (e.g., US Social Security). This is because assumptions on benefits may skew solution design too heavily toward serving certain retirement cohorts. We believe the UK is now structurally different.

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1 Financial Conduct Authority (FCA) (2022) *Improving outcomes in non-workplace pensions (PS22/15).* Available at: https://www.fca.org.uk/publications/policy-statements/ps22-15-improving-outcomes-non-workplace-pensions.

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The new State Pension: from heterogeneous to largely flat-rate

Prior to 2016, the UK State Pension system comprised a Basic State Pension plus an earnings-related component (SERPS/S2P). Outcomes varied meaningfully across earnings histories.

The **new State Pension,** introduced in April 2016, simplified the system:

- A largely flat, capped full benefit for individuals with sufficient qualifying years,
- Limited earnings linkage relative to the prior regime,
- Indexed via the 'triple lock' (currently the highest of CPI inflation, wage growth, or 2.5%).

While launched in 2016, sufficient time has passed to understand the role that new State Pension plays for UK retirees. While not perfectly uniform, the new system is **substantially more homogeneous** than its predecessor, with **roughly 88% of those receiving the new State Pension receiving ≥80% of full benefits (exhibit 1)[2]**.

While the system was introduced in 2016, early cohorts did not immediately receive the full benefit due to incomplete National Insurance histories carried over from the prior regime. Over time, individuals have accrued additional qualifying years, and outcomes have increasingly converged toward full entitlement. As a result, observed State Pension outcomes today are more representative of the system's steady-state design.

For lifecycle modelling, this matters. An inflation-indexed benefit that is broadly consistent across income cohorts functions economically as a **government-backed income floor in retirement.** In present value terms, we estimate the full State Pension at age 67 to be equivalent to approximately **£250,000 of immediate annuity wealth[3]** (depending on discount rate and mortality assumptions). For many UK savers, this is their single largest source of retirement income security.

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2 Department for Work and Pensions (DWP) (2025) State Pension statistics: Stat-Xplore extract. Data as of August 2025. Full new State Pension weekly rate (2024/25): £221.20 (DWP benefit and pension rates). Notes: Figures show the payment amount distribution of weekly State Pension. Amounts may include protected payments, so a small share of recipients can receive more than the full weekly rate. Note that 80% of full State Pension is £176.96; this value is rounded to 179.99 in our analysis given data grouping provided by DWP.

3 BlackRock, as of March 2026. Based on the cost of an annual cash flow of £12,000 on the annuity market, given a price of £20-£22 for an inflation linked annuity.

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Exhibit 1: State Pension benefit distributions, legacy vs new



Source: UK Department for Work and Pensions (DWP), State Pension statistics/Stat-Xplore extract, data as of August 2025. Full new State Pension weekly rate (2024/25): £221.20 (DWP benefit and pension rates). Notes: Figures show the payment amount distribution of weekly State Pension. Amounts may include protected payments, so a small share of recipients can receive more than the full weekly rate.

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Why guaranteed income changes optimal risk

From a lifecycle perspective, retirement planning involves funding a stream of future spending. That spending can be decomposed into:

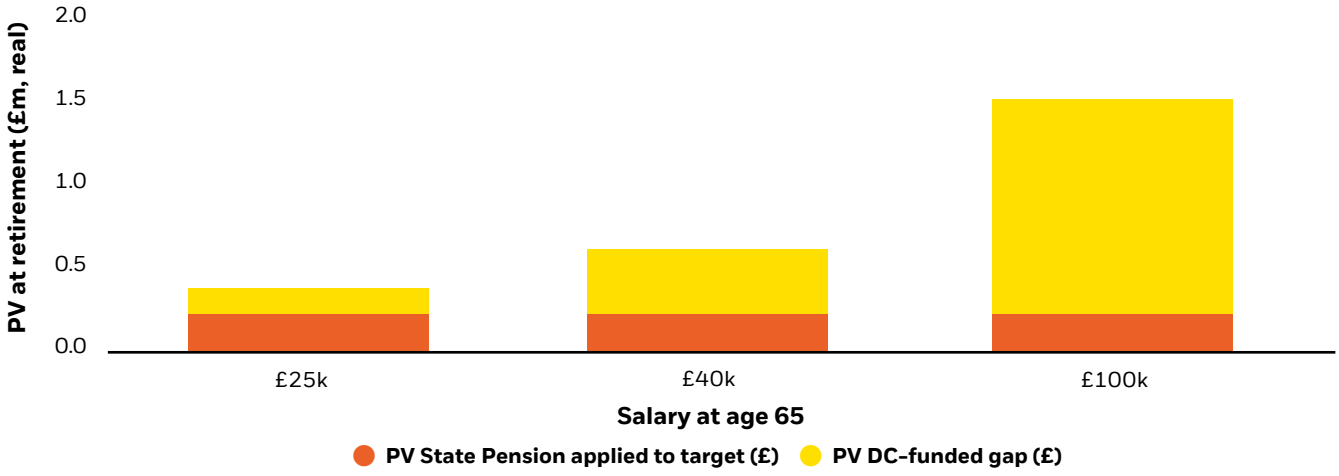
- The spending floor **funded by guaranteed income streams** (annuities, defined benefit, State Pension), and
- Spending that must **be funded by DC savings.**

When State Pension is not explicitly modelled, all retirement spending is implicitly treated as being financed by market-exposed assets. While this is appropriate in many markets with heterogeneous retirement benefits, it can overstate both (1) the required level of savings needed and (2) the effective volatility of retirement spending. Incorporating State Pension into the UK LifePath model thus has two key impacts:

It reduces the spending liability that must be funded from DC assets. If a portion of retirement income is already provided by a guaranteed, inflation-linked source such as State Pension, the amount of spending that must be financed by market-exposed assets is lower. In other words, the effective retirement 'liability' faced by the investment portfolio is reduced.

The importance of this effect varies across income levels. As illustrated in **Exhibit 2,** the flat-rate State Pension can represent a large share of retirement income for lower earners, covering roughly 60% of a stylised retirement spending target for a worker earning £25,000. For higher earners, the same benefit represents a much smaller share of desired retirement income – covering only around 15% of spending for a worker earning £100,000.

Exhibit 2: Present Value (PV) decomposition of 80% income replacement target



For illustrative use only. Present values are calculated at retirement using a 25-year level real spending stream discounted at a 2.0% annual real rate. Target retirement spending is assumed to equal 80% of gross salary. State Pension is assumed at the full new State Pension rate for 2025/26 of £230.25 per week (£11,973 per year), with the State Pension component capped at target spending where the pension exceeds the target. Salary scenarios (£25,000, £40,000 and £100,000) are stylised for comparison purposes and are not forecasts. The analysis ignores tax, housing costs, partner income, means-tested benefits, individual National Insurance histories, charges, longevity variation and policy risk. Source for State Pension assumption: GOV.UK, 'The new State Pension: What you'll get' https://www.gov.uk/new-state-pension/what-youll-get, as of March 2026.

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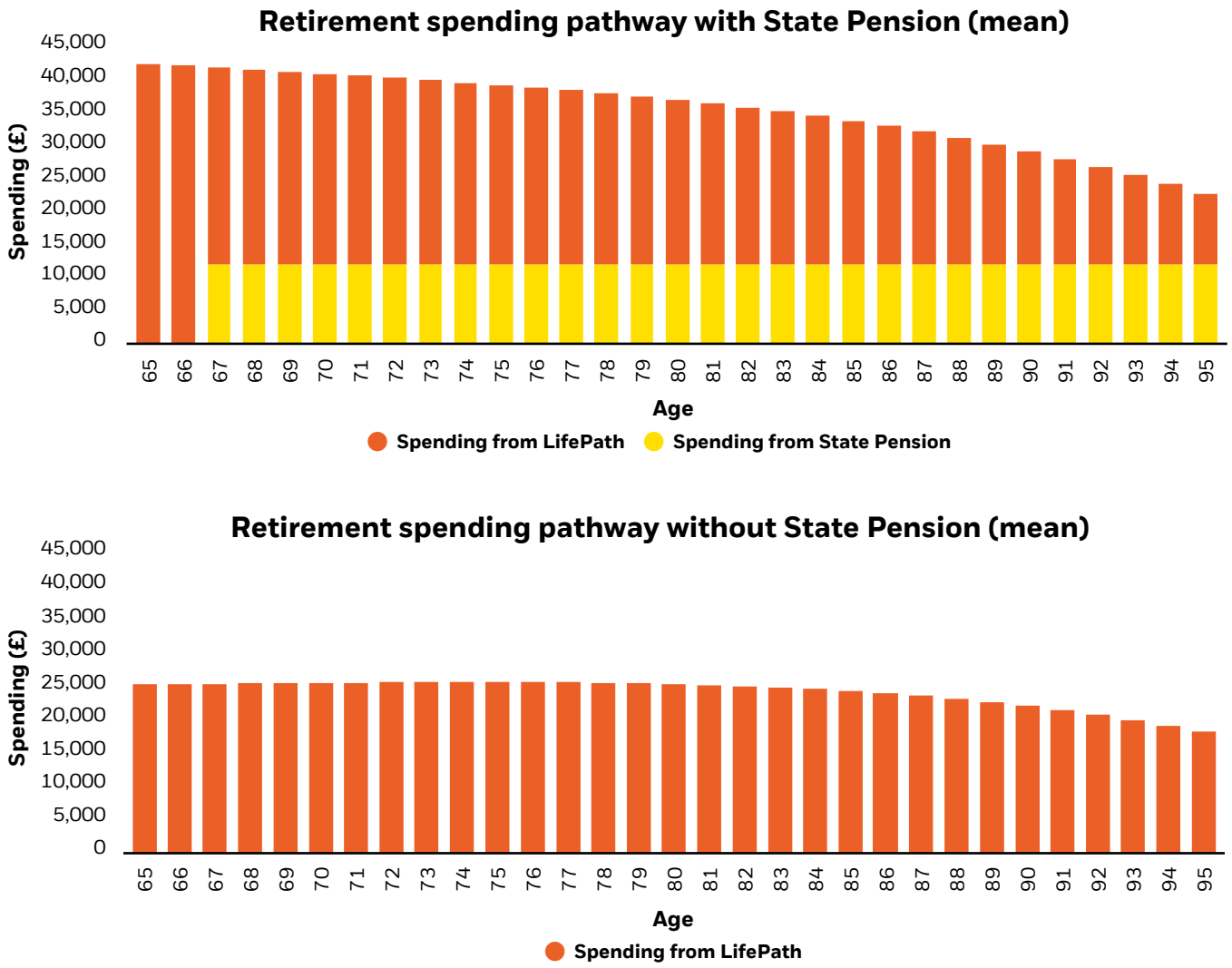
As a result, while State Pension improves retirement security across all income levels, its relative contribution to retirement income declines as earnings increase.

It reduces spending volatility and supports higher sustainable spending: As illustrated in **Exhibit 3,** the State Pension provides a stable, inflation-linked income floor in retirement. Because this income is largely independent of financial markets, fluctuations in defined contribution (DC) wealth translate into smaller changes in total retirement spending.

Exhibit 3: Average spending pathways of current glidepath with and without State Pension inclusion



For illustrative purposes only. Information is purely hypothetical and based on preliminary data which is not final and subject to change. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise – or even estimate – of future performance. Source: BlackRock, as of March 2026. Analysis is based on proprietary lifecycle model. Analysis is based on certain modelling assumptions (please see simulation assumptions and capital market assumptions in the appendix) and does not reflect actual investment results, and should not be construed as a guarantee, prediction, or projection of future results. Actual participant outcomes may vary. State Pension benefit is calculated based on the estimation steps provided by the UK Government and assumes a person starts working from age 20. Analysis is based on a stochastic process using over 100,000 simulations. The analysis is based on participants with £0 starting balance at age 20 increasing in real terms based on the average income curve. The income curve is taken from the Office for National Statistics – Annual Survey of Hours and Earnings 2025, Annual Gross Pay Full Time (mean).

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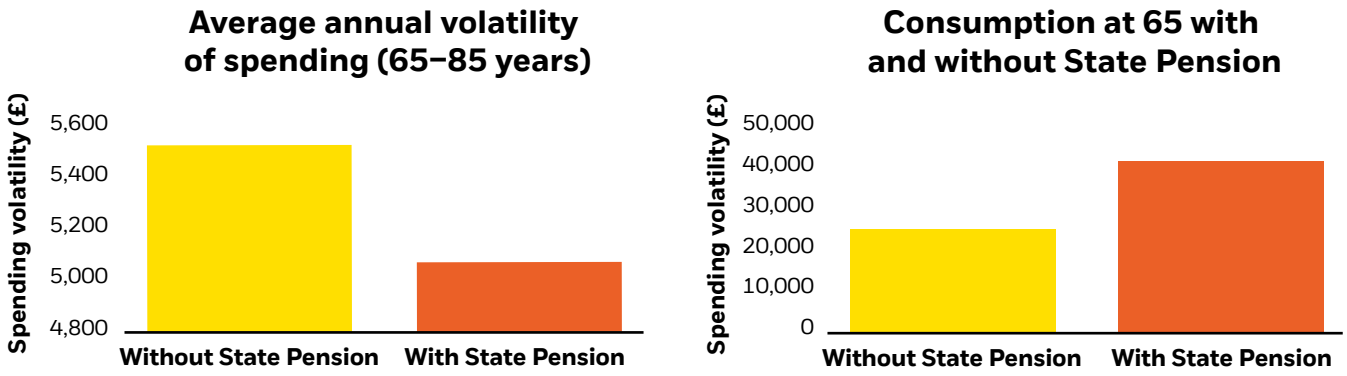
This dampening effect reduces the overall volatility of retirement consumption. As shown in **Exhibit 4,** when a portion of spending is guaranteed, the remaining investment portfolio does not need to support the full level of retirement income, and market fluctuations have a smaller impact on total spending outcomes.

In practice, this increases retirees' effective capacity to take investment risk and allows for greater spending from the investment portfolio earlier in retirement – particularly in the early years of retirement when retirees are most likely to be alive and actively consuming. This effect is reflected in the higher spending levels observed at the start of retirement (also **Exhibit 4**).

Exhibit 4: Average volatility of spending, ages 65–85; consumption at 65, both with and without State Pension (current glidepath)



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Implications for glidepath design

Accounting explicitly for State Pension leads to two adjustments in LifePath's glidepath design that better align portfolio risk with the total retirement resources available to UK savers.

1 A later start to de-risking

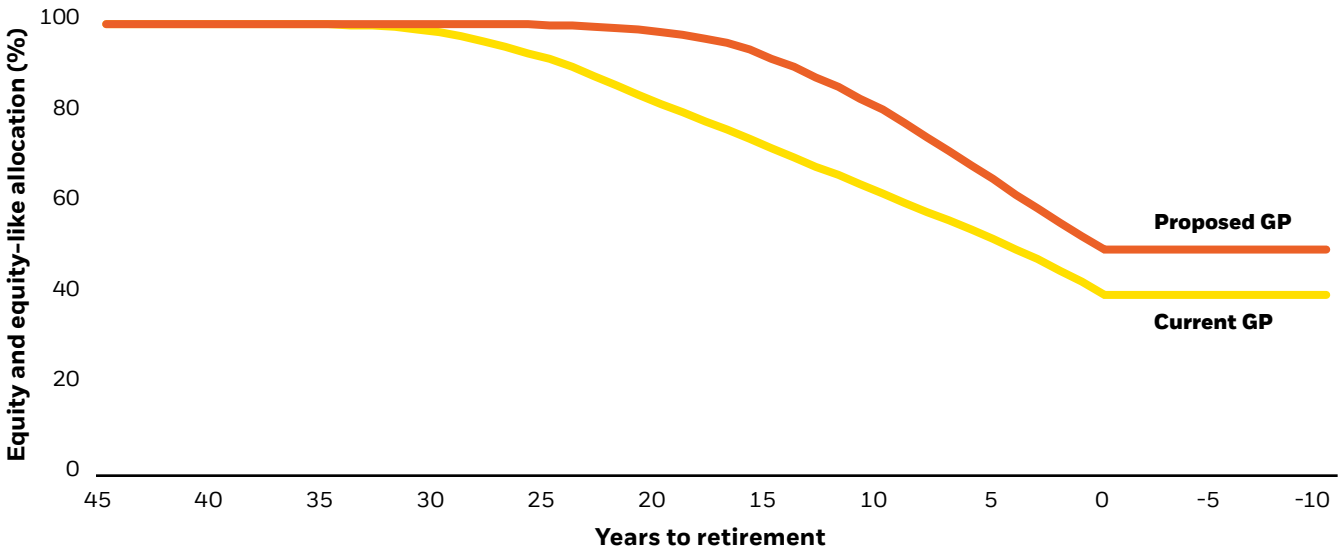
The legacy glidepath began reducing equity exposure roughly 30 years before retirement. Under the updated framework, de-risking begins roughly **20 years before retirement.** This change reflects the presence of a stable retirement income floor and the continued importance of growth assets during mid-career, when contributions are typically highest and compounding has the greatest impact on long-term outcomes.

2 A higher equity landing point in retirement

Previously, the equity allocation at retirement was approximately 40%. Under the revised framework, the landing point increases to approximately **50% equity** to more accurately reflect the risk capacity of UK workers and retirees. This is motivated by two key factors:

- Retirement spending is partially covered by State Pension, with different implications for different wealth cohorts (as exemplified in **Exhibit 2** previously).
- Longevity risk remains substantial: the average UK retiree aged 65 is expected to live into their **mid-80s,** implying retirement horizons that can span two decades or more[4]. Maintaining a higher allocation to growth assets therefore helps support sustainable spending over longer retirements.

Exhibit 5: Current vs proposed glidepaths (GPs)



Source: BlackRock, as of 31 March 2026. For illustrative purposes only.

4 Office for National Statistics, National life tables – life expectancy in the UK: 2022 to 2024, UK period life expectancy at age 65 was **21.2 years for females and 18.7 years for males,** implying average longevity into the mid-80s for retirees (released 10 December 2025).

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Outcomes analysis

Wealth at retirement

We first evaluate the impact of the revised glidepath on retirement wealth at age 65. Outcomes are simulated using stochastic lifecycle modelling that incorporates capital market returns, contributions, and wage growth over an individual's working life.

As shown in **Exhibit 6,** the revised glidepath leads to higher retirement balances in most simulations[5]. In approximately **79% of scenarios,** the proposed design produces greater accumulated wealth by age 65, with an **average improvement of roughly 8.9%** relative to the legacy glidepath.

These results reflect the higher exposure to growth assets maintained earlier in the lifecycle. By allowing portfolios to remain invested in equities for longer, the revised design can capture additional compounding during the years when contributions are typically highest, which could improve expected retirement savings outcomes.

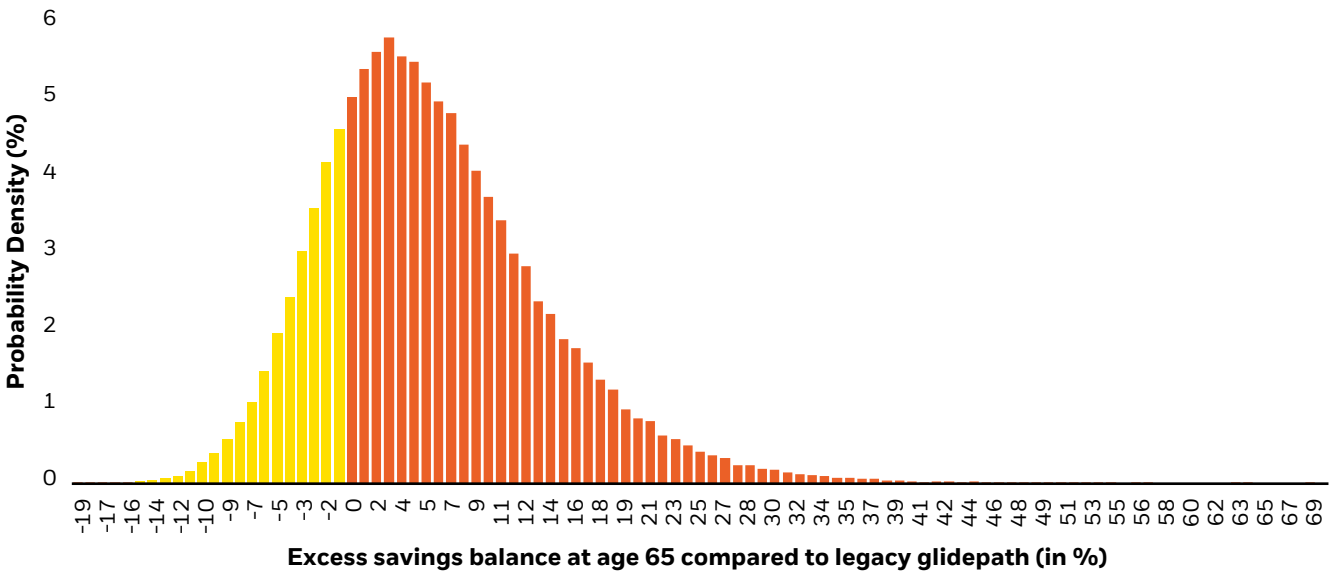
Retirement spending

We then evaluate outcomes in terms of retirement spending. **Exhibit 7** compares simulated spending outcomes across three scenarios: the current glidepath without State Pension, the current glidepath with State Pension, and the proposed glidepath with State Pension. This separates the impact of explicitly recognising State Pension from the incremental impact of the proposed glidepath design.

Three results stand out. First, incorporating State Pension materially increases expected retirement spending under the current glidepath, reflecting the value of a stable, inflation-linked income floor. Second, the proposed glidepath further improves outcomes by supporting higher retirement balances and higher spending, reflecting greater exposure to growth assets over the lifecycle.

Third, spending certainty improves meaningfully when measured relative to cumulative spending.

Exhibit 6: Excess savings balance at age 65, proposed vs legacy glidepath



Source: BlackRock, March 2026. Chart represents the results of 100,000 simulations. Values expressed as the % deviation between the proposed glidepath and the current glidepath result at age 65. **Analysis shown for illustrative purposes only and should not be taken to reflect any real-world results or projections.**

5 Please see simulation assumptions in the appendix for further information.

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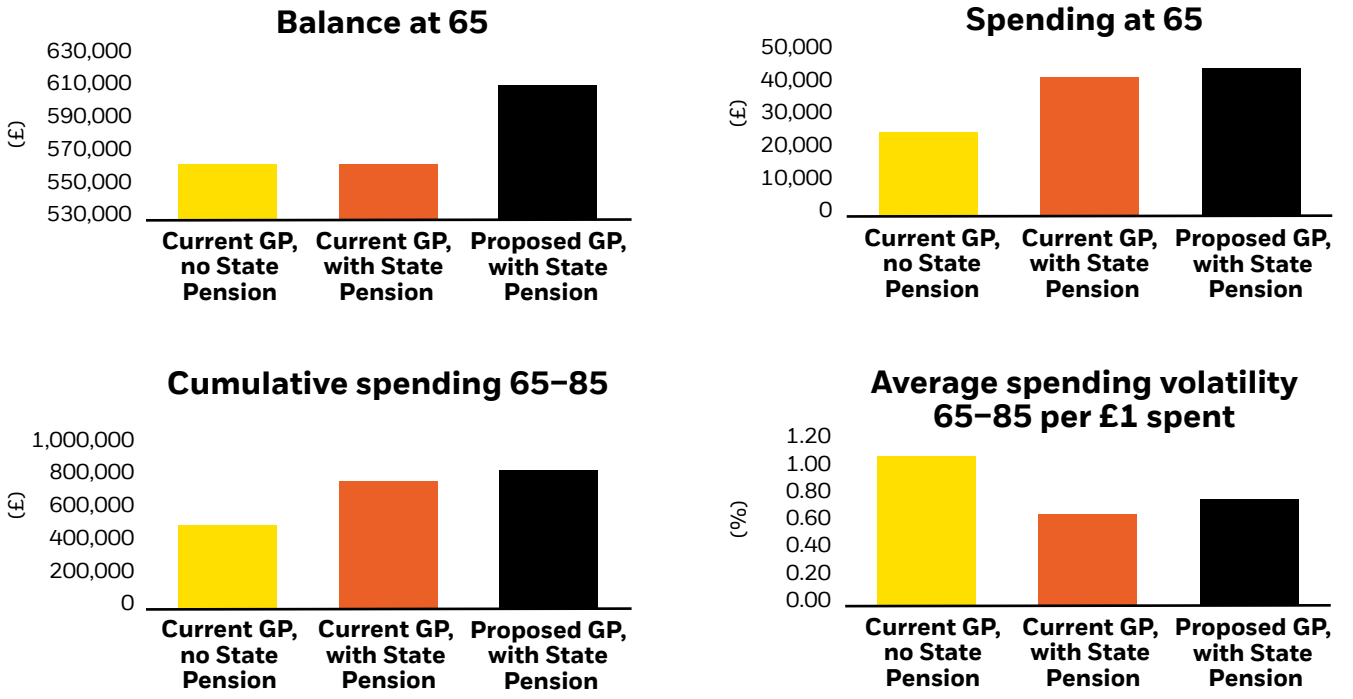
State Pension reduces volatility per pound of spending under the current glidepath, while the proposed glidepath introduces only a modest increase in this scaled volatility measure despite delivering higher expected balances and spending outcomes.

In practical terms, the presence of State Pension allows portfolios to take more investment risk while still supporting more certain retirement consumption — improving expected spending while materially increasing spending certainty.

Exhibit 7: Average expected retirement outcomes, current glidepath without State Pension vs. current glidepath with State Pension vs. proposed glidepath with State Pension

	Current glidepath, no State Pension	Current glidepath, with State Pension	Proposed glidepath, with State Pension
Balance at age 65	£564,008	£564,008	£612,214
Spending at age 65	£25,476	£42,301	£45,144
Cumulative spending, ages 65–85	£511,071	£778,687	£845,762
Average spending volatility, ages 65–85	£5,533	£5,073	£6,620



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Source: BlackRock, as of 31 March 2026. Analysis is based on proprietary lifecycle model. Analysis is based on certain modelling assumptions (please see simulation assumptions in the appendix on page 14) and does not reflect actual investment results, and should not be construed as a guarantee, prediction, or projection of future results. Actual participant outcomes may vary. State Pension data is sourced from the UK Department for Work and Pensions (DWP), State Pension statistics / Stat-Xplore extract, data as of August 2025. Full new State Pension weekly rate (2024/25): £221.20 (DWP benefit and pension rates). Amounts may include protected payments, so a small share of recipients can receive more than the full weekly rate. State Pension benefit is calculated based on the estimation steps provided by the UK Government and assumes a person starts working from age 20. Analysis is based on a stochastic process using over 20,000 simulations. The analysis is based on participants with £0 starting balance at age 20 increasing in real terms based on the average income curve. The income curve is taken from the Office for National Statistics – Annual Survey of Hours and Earnings 2025, Annual Gross Pay Full Time (mean).

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Conclusion: seeking increased precision in lifecycle risk

While the objective of LifePath remains unchanged, the environment in which UK savers retire continues to evolve. The post-2016 State Pension provides a more uniform, inflation-protected income floor that fundamentally reshapes the risk dynamics of retirement. At the same time, UK policy and regulation are increasingly centred on retirement outcomes and lifestyle targets – frameworks that recognise total retirement income, not just accumulated balances. By explicitly incorporating State Pension into our modelling, we can more accurately align portfolio risk with retirement liabilities, support stronger accumulation outcomes, and enhance expected spending potential across income cohorts.

LifePath is built on the principle that retirement investing must adapt as the retirement system itself changes. We view LifePath not as a static product, but as an evolving retirement solution – one that is enhanced alongside retirement savers to meet the realities of each generation.

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Appendix

Simulation assumptions

	Scenario description	
Inputs	**Current GP**	**Proposed GP**
Income curve	Office for National Statistics Annual Survey of Hours and Earnings 2025 Annual Gross Pay Full Time (Mean)	
Starting age	20	
Retirement age	65	
Starting balance	£0	
Equity index proxy	MSCI All Country World Index (GBP)	
Equity return	7.25%	
Equity risk	16%	
Fixed income index proxy	Bloomberg Global Aggregate Bond Index (GBP)	
Fixed income return	3%	
Fixed income risk	7%	
Inflation	2%	
State Pension (annual)	£11,975[6]	
Equity landing point	40%	50%

6 Data is sourced from the UK Department for Work and Pensions (DWP), State Pension statistics / Stat-Xplore extract, data as of August 2025. Full new State Pension weekly rate (2024/25): £221.20 (DWP benefit and pension rates). Amounts may include protected payments, so a small share of recipients can receive more than the full weekly rate.

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Credit risk: the issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

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Equity securities: the value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

ESG risk (Fund of Funds): the Fund may seek to exclude Funds which are not subject to ESG-related requirements. Investors should therefore make a personal ethical assessment of the Fund's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity risk: the Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

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