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Unlocking the potential of unit-linked structures for SIPPs: A path to innovation in pension investment solutions

A discussion paper requested by the Platforms Association

Platforms association

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Foreword from The Platforms Association

Retail investment platforms play an increasingly important role in how individuals access and manage their retirement savings. As the SIPP market grows, platforms are under pressure to offer a broader range of investment solutions while maintaining efficiency, transparency and strong member outcomes.

This has sharpened focus on the structures behind investment offerings. While much of the market still relies on UCITS funds such as OEICs and Unit Trusts, there is growing recognition that these may not always meet evolving needs. Access to a wider range of assets, effective cost management and consistent retirement outcomes are becoming more important.

Industry attention has also centred on newer structures such as Long-Term Asset Funds. While these developments are welcome, they represent only part of the options available to platforms and pension providers.

For this reason, The Platforms Association believes it is timely to revisit the role of unit-linked structures within the SIPP and wider retirement market. These structures are widely used in institutional pension schemes but remain less adopted within platform-based solutions.

This paper aims to support a more informed discussion and help platforms, advisers and trustees evolve their investment approach.

About Mobius

Mobius is an open architecture unit-linked pension insurer focused on improving access, flexibility and efficiency within UK pension investing.

The platform currently supports over 600 UK pension funds and provides access to more than 900 underlying investment strategies across £30.7bn* of assets.

By combining insurer infrastructure with an open architecture approach, Mobius enables wealth managers, platforms and pension schemes to access a broad range of public and private market strategies within a single unit-linked framework.

This model is designed to support more flexible portfolio construction, improved tax efficiency and access to institutional-style investment solutions within pension structures.

*As at 31 March 2026

About The Platforms Association

The Platforms Association is the trade body for the UK retail investment platform sector, representing the full breadth of investment platforms, technology providers and the interests of the wider ecosystem of directly associated service firms across the industry.

Our members collectively administer over £1.4 trillion in assets on behalf of millions of UK investors, making the platform sector one of the most significant channels for retail investment and pension savings in the country.

We work to shape policy and regulation, raise industry standards and support innovation across the sector. Through our working groups, research and engagement with regulators and policymakers, we provide a collective voice on the issues that matter most to platforms and their customers.

The Platforms Association believes that well-designed investment structures, supported by efficient platforms and clear regulation, are fundamental to delivering good outcomes for UK savers. This paper reflects our commitment to stimulating informed debate on the investment solutions available to the sector and the clients it serves.

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Executive summary

The UK pension landscape is undergoing a transformative shift, driven by increasing demand for investment flexibility, tax optimisation and diversified asset access. Self-Invested Personal Pensions (SIPPs) offer investors control and choice, but platforms supporting these vehicles face a growing need to modernise their offerings. Traditional UCITS funds and Managed Portfolio Services (MPS) of UCITS have served their purpose but are increasingly showing limitations, particularly when it comes to tax efficiency, cost-effectiveness and access to alternative assets.

Unit-linked pension funds are emerging as a superior solution, especially in the context of SIPPs, as they provide greater flexibility, enhanced tax advantages and access to alternatives such as private markets – features not easily achievable with conventional investment structures.

This discussion paper explores why unit-linked structures are a key opportunity for modern pension platforms, highlighting their core benefits of:

Tax efficiency

Access to private markets

Cost-effectiveness and flexibility while addressing the barriers that have hindered their widespread adoption.

The paper also challenges the exclusive focus on Long-Term Asset Funds (LTAFs) for private market access, demonstrating that a broader range of structures, such as unit-linked products, can better serve the diverse needs of today's SIPP investors.

Introduction
The changing landscape of SIPP investment solutions

The UK SIPP market has evolved significantly, with investors demanding greater control, flexibility and access to a wider range of assets.

Many platforms still rely heavily on UCITS funds and Managed Portfolio Services, but these approaches have limitations. UCITS structures can be tax inefficient and often restrict access to asset classes such as private equity, private credit and infrastructure. MPS solutions tend to reinforce these constraints by focusing on a narrow range of traditional assets.

Unit-linked structures offer a more flexible alternative. They allow access to a broader set of investments, including public and private markets, within a framework designed for pensions. This supports improved diversification, greater tax efficiency and lower costs at scale.

These structures are already widely used by institutional investors. Defined benefit and defined contribution schemes, as well as Master Trusts, allocate a significant proportion of assets through unit-linked funds. Bank of England data suggests the UK unit-linked market is around £1.5 trillion, with most of this held within pensions.

Despite this, adoption within SIPPs remains limited. This is often due to perceived complexity and a focus on newer structures such as Long-Term Asset Funds.

This paper explores how unit-linked structures can be used more effectively within SIPPs and where they sit alongside other approaches.

The benefits of unit-linked structures for SIPPs

Unit-linked pension products offer a set of advantages that are directly relevant to SIPP investors. These include improved tax efficiency, broader asset access, lower costs and greater flexibility in portfolio design.

1

Tax efficiency

Unit-linked funds benefit from pension tax status, which can reduce or eliminate withholding tax on overseas income. This is particularly relevant for equity income strategies, where tax drag can materially reduce returns in UCITS structures. The result is a consistent improvement in net outcomes driven by structure rather than manager performance.

2

Access to private markets and alternatives: Broader range of assets

Unit-linked structures can accommodate a wider range of investments, including private equity, private credit, infrastructure and real estate. These assets are often difficult to access through UCITS or MPS but can provide diversification, alternative return drivers and more stable income, particularly in retirement.

This gives SIPP investors access to investment opportunities more commonly used by institutional schemes.

This wider access to private markets and alternatives makes unit-linked products particularly appealing for wealthier clients or those seeking more robust long-term growth potential, as well as for those who wish to diversify away from traditional public market risks.

Cost efficiency

3

Unit-linked funds operate at institutional scale and avoid many of the layers of cost associated with retail fund distribution. This can lead to lower overall fees, particularly for larger portfolios, while maintaining flexibility in implementation.

Flexibility in portfolio construction

4

Unit-linked structures allow platforms to build and adjust portfolios with greater precision. Multi-asset solutions can be tailored to specific objectives, combining public and private markets within a single framework.

Supporting retirement outcomes

5

For investors entering retirement, sequencing risk remains one of the most significant threats to long-term pension sustainability. Even well-funded pension pots can be weakened if withdrawals coincide with periods of market decline.

Overcoming sequencing risk

Managing sequencing risk requires more than diversification. It depends on deliberate portfolio construction, with a focus on cashflow stability, correlation and volatility.

Unit-linked structures provide the flexibility to support this approach. By allowing a wider blend of return drivers within a single pension framework, portfolios can be designed to:

→ **Combine growth assets with differentiated income sources**

→ **Reduce reliance on selling liquid equities during market stress**

→ **Incorporate assets with lower correlation to public markets**

→ **Create income profiles that support more consistent withdrawals**

This enables platforms to build drawdown strategies that are more resilient over time. Rather than relying on traditional asset allocations alone, portfolios can be structured to balance liquidity, stability and growth.

The benefit is not just broader diversification, but improved durability of income. By moderating volatility and widening sources of return, unit-linked structures can help reduce the risk of permanent capital loss during adverse market conditions.

They also allow for more controlled income delivery, with distributions supported by both income and capital from underlying assets. This is difficult to achieve within standard UCITS structures.

In a retirement landscape shaped by individual responsibility, this level of control becomes increasingly important. Unit-linked structures support a more deliberate approach to portfolio design, helping improve the sustainability of income over time.

Barriers to adoption
Why aren't more platforms using unit-linked solutions?

Despite the many advantages, there are several barriers that have slowed the adoption of unit-linked structures for SIPPs.

1 Perceived complexity and regulatory burden

Unit-linked products can appear complex, especially for platforms unfamiliar with their structure. However, many platforms have already overcome these, and in practice, although the legal structure of the funds are different from OEICs or Unit Trusts, the practical dealing, settlement and pricing processes are the same.

2 Cost of implementation

Developing a suite of unit-linked products requires a significant upfront investment in technology and infrastructure. For smaller fund managers with limited resources, the cost of creating and maintaining a unit-linked offering may seem prohibitive. This includes the need for robust systems to handle pricing, reporting and management of underlying investments as well as the regulatory oversight. This has led to less product choice. However, by using an open architecture unit-linked insurer to provide the fund infrastructure, this hurdle is removed.

3 Focus on LTAFs

The growing interest in LTAFs as a means of accessing private markets has led many platforms to focus exclusively on this structure. This focus can also limit investment choice, as the range of strategies and managers available in LTAF format remains relatively narrow, whereas unit linked options offer a wider and more customised set of investment choices. Even though LTAFs are not the only way to gain exposure to alternatives, this focus can lead to missed opportunities for more flexible, cost-effective and tax-efficient solutions provided by unit-linked structures.

Comparing unit-linked pension funds with OEICs

A key question for SIPP platforms and pension stakeholders is how unit-linked structures compare with more familiar fund vehicles such as OEICs. While both provide access to diversified portfolios, their underlying structures lead to materially different outcomes.

The comparison is most meaningful when focused on three areas that directly affect investor outcomes and platform design. These are withholding tax, cost structure and investment flexibility.

Withholding tax and its impact on returns

Withholding tax is often the most significant structural difference between OEICs and unit-linked pension funds.

Unit-linked pension funds benefit from pension tax status. When investments are held through an insurer, it is often possible to reduce or reclaim withholding tax on overseas income. This is particularly relevant for equity income strategies.

For example, UK pension investors can typically access reduced or zero withholding tax rates on US dividends, compared with the standard rate applied to non-pension vehicles. Similar benefits may apply across parts of Europe and Asia.

The result is a consistent uplift in net returns that is not driven by manager skill, but by structure.

UCITS OEICs or Unit Trusts, by contrast, are treated as UK corporate entities for tax purposes. They are generally subject to standard withholding tax rates on overseas income and cannot access pension-specific treaty benefits. This creates a structural drag on returns, particularly for income-focused portfolios.

Cost structure and efficiency

Differences in cost reflect the regulatory and operational frameworks that underpin each structure.

Unit-linked pension funds are designed for institutional and pension use. They do not require retail distribution infrastructure, multiple share classes or the same level of regulatory reporting as retail funds. This reduces administrative and governance costs.

While an insurer may apply a policy or wrapper fee, overall costs tend to be low, particularly at scale. For example, index-tracking strategies within unit-linked structures can be delivered at a fraction of the cost typically seen in retail fund formats.

OEICs are built for broad distribution across retail and wealth channels. This brings additional requirements, including regulatory reporting, depositary oversight, distribution arrangements and platform integration. These features are necessary for accessibility but increase the total cost borne by investors.

As a result, OEICs often carry higher ongoing charges, particularly where retail share classes are used.

Investment flexibility and implementation

Both structures offer flexibility, but in different ways.

Unit-linked pension funds are well suited to bespoke implementation. Insurers can create life funds that closely reflect institutional mandates, including tailored benchmarks, ESG approaches and multi-asset portfolios. They can also accommodate a wider range of underlying assets, including certain private market exposures, within a pension framework.

This makes them particularly useful for platforms seeking to differentiate their offering or implement specific investment strategies at scale.

OEICs provide flexibility within a standardised framework. They are designed to meet the needs of a wide audience and operate within established rules on diversification and liquidity. This supports broad distribution but limits the ability to tailor solutions to specific client requirements or incorporate less liquid assets.

Moving from theory to implementation

For most platforms, introducing unit-linked structures is an extension of existing capabilities rather than a rebuild.

Start with the use case

Clarity on the objective is critical. Platforms typically focus on improving tax efficiency, expanding asset access or enhancing retirement solutions. This shapes all subsequent decisions.

Select the insurer partner

Unit-linked structures require an authorised insurer. Key considerations are open architecture, breadth of investment access, operational fit and pricing alignment. The insurer provides the core infrastructure.

Define the operating model

Unit-linked can either sit alongside existing funds or be used for targeted solutions such as default portfolios or retirement strategies. The approach depends on the platform's objectives.

Regulatory and operational considerations

For nominee-based platforms, the impact is usually limited.

The SIPP trustee must confirm that its deed allows investment through a Trustee Investment Plan. Beyond this, no additional permissions or capital requirements are typically needed.

The insurer is responsible for pricing, valuation, liquidity and custody, meaning CASS does not apply to the SIPP operator for these assets. The nominee company remains administrative and does not take on trading risk.

Operationally, processes align with existing fund workflows. Trading, settlement and record keeping remain familiar. Once established, the structure can support access to additional funds and strategies without further redesign.

Costs vary with complexity, but are typically efficient. Setup is required, but ongoing costs are often lower than UCITS structures, with limited additional operational overhead.

What this means in practice

- → **No change to permissions**
- → **No additional balance sheet risk**
- → **Limited regulatory burden**
- → **Familiar operational processes**
- → **Scalable structure**
- → **Cost efficiency at scale**

Implementation approach

Most platforms adopt a phased rollout. This typically involves launching a small number of strategies, focusing on high-impact use cases and expanding over time.

Operational processes, governance and client communication generally build on existing frameworks rather than requiring new ones.

An example of how this can work

moneyfarm

Moneyfarm provides a practical example of how unit-linked structures can be used to build a modern SIPP proposition.

As a digital wealth manager, their objective was to deliver strong investor outcomes while retaining control over portfolio construction and cost. This required a structure that could support flexibility, efficient implementation and broader investment access.

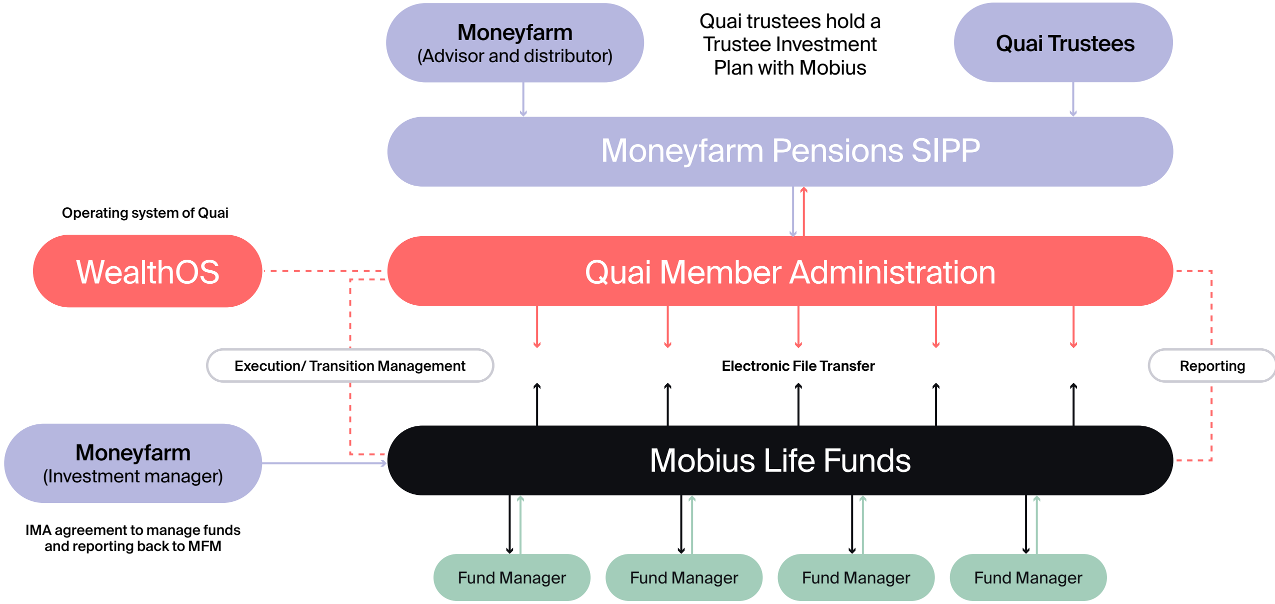
Working with Mobius, Moneyfarm adopted a life-wrapped, unit-linked approach to support the launch of its SIPP.

The initial portfolio design consisted of 13 core funds, incorporating around 40 underlying strategies. While some were already available, additional managers and funds were onboarded as part of the build.

Mobius supported this process end to end, including manager onboarding, fee negotiation, operational due diligence and establishing trading and dealing links. The full implementation was completed within a short timeframe, allowing the proposition to move from design to launch efficiently.

The result is a pension solution aligned to Moneyfarm's investment approach rather than a constrained fund range. The structure allows portfolios to be adjusted at the underlying level without disruption to clients, while providing access to a wider set of asset classes and institutional pricing.

This illustrates how unit-linked structures can be used in practice. They enable platforms to implement investment strategies with greater precision and evolve them over time within a pension framework designed for scale.



Conclusion

For SIPP platforms, advisers and pension clients, investment structure has a direct impact on outcomes. It influences net returns, cost efficiency and how far platforms can develop their offering over time.

UCITS OEICs remain an important part of the market, particularly for liquid public assets. Their accessibility and familiarity make them well suited to broad platform use.

However, their limitations become clearer when the objective is to deliver efficient pension solutions. Costs, withholding tax and constraints on portfolio design can all affect outcomes in ways that are not always visible.

Unit-linked structures offer an approach that is more closely aligned with pension needs. They support improved tax efficiency, lower costs at scale and greater flexibility in portfolio construction, including access to a wider range of return drivers.

The choice is not about replacing one structure with another, but about using each where it is most effective. As platforms look to build more sophisticated retirement solutions, this becomes increasingly important.

A more deliberate approach to structure can support better investor outcomes and more resilient platform propositions over time.

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