First Actuarial briefing for trade unions Q2 2024

In this issue we look at the manifestos of the main political parties and discuss their pension-related promises ahead of the 4 July general election.

We also highlight the impact of the election (and dissolving of parliament) on several pieces of pension legislation.

The headline election promises

Here are the key pension-related manifesto promises made by the major parties:

State Pension

The triple lock is existing government policy. It involves increasing the State Pension each year by the highest of inflation, average earnings growth and 2.5%.

Most of the major parties have pledged to maintain the triple lock, except for the Green Party (which promises a ‘double-lock’, removing the 2.5% underpin), and Reform UK, which makes no mention of the triple lock.

The Conservative Party has pledged to go further by introducing a ‘triple lock plus’. This would increase the personal tax allowance for pensioners, “*so the new State Pension doesn’t get dragged into income tax”*.

Mineworkers’ pensions

Under an agreement made following the privatisation of British Coal in 1994, only half of the Mineworkers’ Pension Scheme funding surplus was used to enhance member benefits. The other half placed was into a government investment reserve in exchange for a government benefit guarantee. Scheme members and government would then receive equal shares of any further surplus.

Over time, the investment reserve has grown significantly. Many have argued that government has received a disproportionately large share of the surplus relative to the risk it has underwritten, and that more or all of the surplus should be used to enhance member benefits. First Actuarial has previously prepared advice for the National Union of Mineworkers on this matter.

The Labour Party, Plaid Cymru and Reform UK all make manifesto pledges around the Mineworkers’ Pension Scheme, promising to review arrangements for the use of surplus and/or to transfer funds to the members.

Pension tax reform

The Lifetime Allowance (LTA) is a limit on the pension savings that can be built up by an individual in a registered pension scheme while benefitting from tax relief. Under the outgoing government, the LTA was abolished, with the removal of the LTA charge from April 2023 followed by the withdrawal of the LTA in April 2024.

At that time, the Labour Party promised to bring back the cap, suggesting that it only benefitted the wealthiest. However, this plan was recently dropped following lobbying from senior NHS staff and unions.

The Conservative Party pledges to maintain tax relief on pension contributions at the marginal rate, while the Green Party would base tax relief on all pension contributions on the basic rate of income tax.

The Conservative Party has no plans to introduce any new taxes on pensions. They promise to cut employee NI contributions to 6% by April 2027, abolish the main NI contribution rate for the self-employed, and not to extend NI to employer pension contributions.

The other main parties are silent on the pensions tax system.

Pension system reform

The Conservative Party will implement the Mansion House reforms, which are discussed in detail in our [Q3 2023 briefing](#).

The Labour Party (as well as Reform UK) pledges to carry out a review of the pensions landscape with a view to:

- Improving pension outcomes
- Increasing investment in UK markets
- Ensuring that schemes take advantage of consolidation and scale.

Earlier this year, the Labour Party published a plan for financial services. This included a plan to allow Defined Contribution (DC) schemes to invest in UK 'growth assets', including venture capital, small cap growth equity and infrastructure investment. The plan also proposed further consolidation of all scheme types, especially DC schemes offering poor value for members.

The Liberal Democrat party pledges to make sure that workers in the 'gig economy' don't lose out on pensions, however the precise meaning of some of the wording is presently unclear. They would also develop measures to end the gender pension gap in private pensions.

Climate change

The Green Party would require non-bank financial institutions, including UK pension funds, to remove fossil fuel assets from their investment portfolios and securities transactions by 2030.

Summary of headline promises

Most of the main parties propose to maintain the State Pension triple lock. The Conservative Party doesn't foresee any changes to pension tax relief, whereas the Green Party would reform it. The Labour Party appears to have dropped its plan to bring back the Lifetime Allowance (LTA). They're also planning a review of the pensions landscape, as is Reform UK. A number of parties have promised new climate change requirements for schemes.

Impact of the general election on pensions progress

The upcoming general election means that parliament has now been dissolved, leaving several pieces of pensions-related legislation, regulation, guidance and policy development up in the air.

Defined Benefit funding code

The final version of The Pension Regulator's revised Defined Benefit funding code – which provides clarity on interpreting the new funding regulations – will not able to lie before parliament for the necessary 40 days.

A delay seems inevitable, meaning that schemes with valuation dates after 22 September (to which the new regulations apply) must commence valuation work without this guidance. It's also possible that a new government would propose changes to the draft code, further increasing the uncertainty.

LTA abolition

With various flaws existing in the new legislation that abolishes of the LTA, further changes will be required.

In some cases, HMRC has even suggested that members delay retirement, stating that *"members may need to wait until the regulations are in place before taking or transferring certain benefits".*

While any new government is likely to rectify this issue fairly quickly, the dissolution of parliament nevertheless presents an unwelcome delay to those awaiting retirement.

WASPI women

Earlier this year, the Parliamentary and Health Service Ombudsman found failings in how the Government had communicated changes to women's State Pension age. This followed a long-running campaign by Women Against State Pension Inequality (WASPI).

Any remedy to these individuals will be a matter for a new government to consider.

Auto-enrolment reform

Following a review in 2017, legislation was passed in 2023 enabling government to expand the scope of auto-enrolment.

The review recommended lowering the auto-enrolment age from 22 to 18 and removing the lower earnings limit. As this change has not yet been implemented, it will also be a matter for a new government.

Pensions fun fact!

In our last briefing, we asked…

What proportion of UK adults say they're not aware of their State Pension age?

5%	15%	25%	40%

Answer: 5%

As an aside, we wonder how many of the 95% who think they know their own State Pension age are actually correct.

This quarter's question:

What proportion of employees eligible for auto-enrolment participate in a workplace pension scheme?

62%	88%	95%	80%

How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants. We help trade unions with all their pensions issues.

We can help your trade union to negotiate with employers, lobby government, resolve scheme-specific problems, and explain any changes or choices members have to make.

We also provide administration, actuarial and investment services to a large number of trade unions' staff schemes.

If you or any of your colleagues would like to receive future briefings but are not on our circulation list, please visit our preference centre to sign up. Select *Pensions for Trade Unions* under the *Topics of particular interest* header.

For more information on any of the issues covered in the briefing, please contact:

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