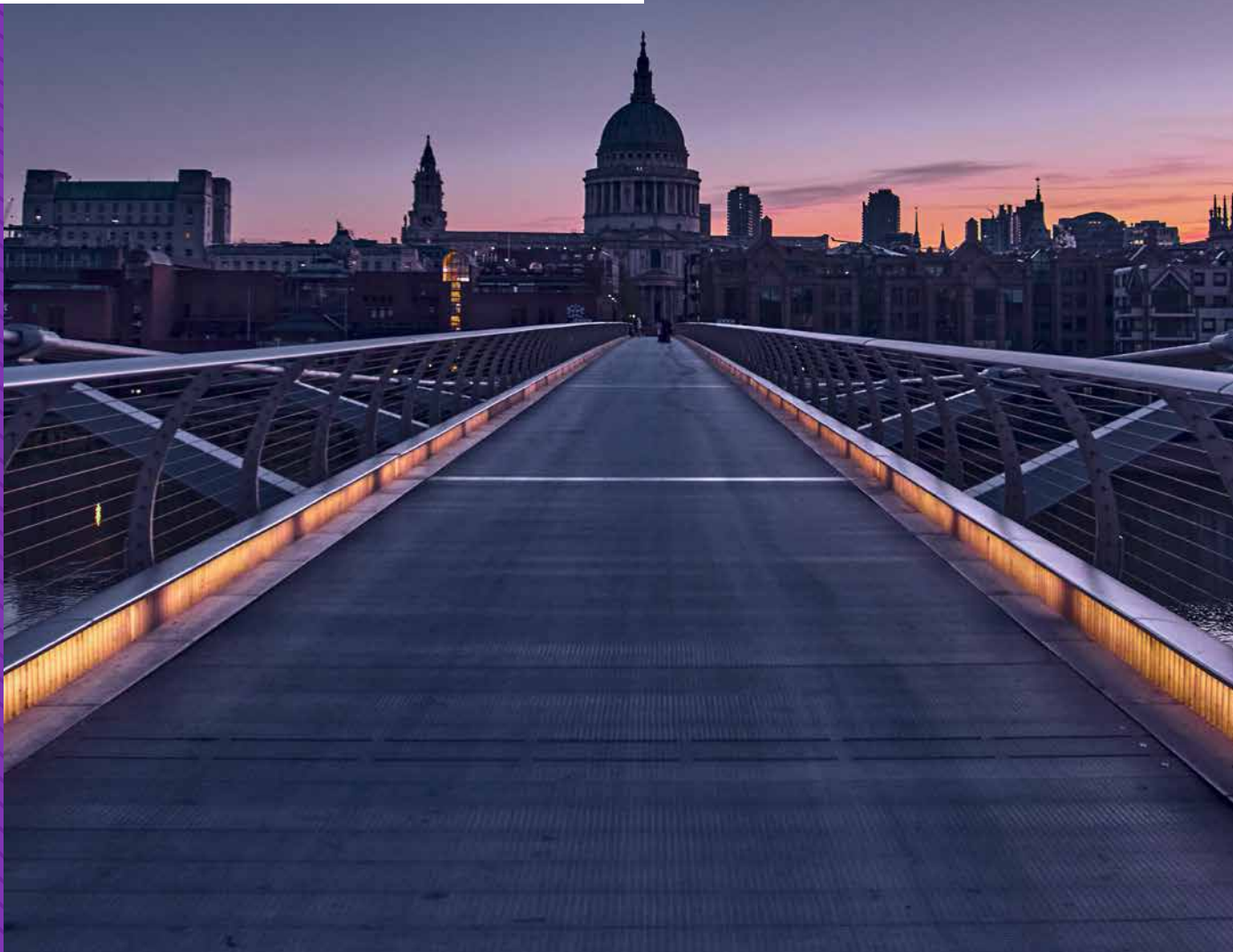


# UK Pensions policy under a Labour Government

July 2024



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# UK Pensions policy under a Labour Government

## Introduction

The UK general election of 4 July put the Labour Party in power for the first time in 14 years.

This note explores how pensions policy might feature in the new Parliament and records comments made by leading Labour figures during and in the run-up to the election campaign.

## Executive summary

- **Pension investments:** Like her predecessor, the new Chancellor, Rachel Reeves, has suggested that pension funds do not invest in the right ways, particularly when it comes to financing start-up businesses looking to scale up. A review promised by Labour would aim to “identify and tackle barriers to pension schemes investing more into UK productive assets – including cultural and regulation-induced risk aversion”. Labour want “greater consolidation of all types of schemes”. They have not said what this will mean for private sector DB schemes, but inherit plans to create a public sector consolidator, which would allow government to influence how a chunk of DB assets is invested. It is unclear whether, or how, Labour will take forward potential changes to rules around how DB surpluses can be accessed. For DC schemes, Labour propose “an opt-in scheme...to invest a proportion of their assets into UK growth assets”, guidance on default investment approaches and new powers to force consolidation.
- **Automatic enrolment:** Labour has not proposed a timetable for automatically enrolling 18-21-year-olds into workplace pensions, or for abolishing the lower qualifying earnings threshold so that contributions always start from the first pound of earnings. This might reflect concerns about the cost of living and the fact that Office for Budget Responsibility (OBR) forecasts assume the changes do not start being implemented before 2029; earlier implementation would reduce forecast tax revenue.
- **Pensions tax (general):** Labour have set out a few limited tax rises (not affecting pensions directly) and their manifesto ruled out increasing income tax rates, National Insurance, VAT or the main rate of Corporation Tax. Beyond that, their stance during the campaign was that they had “no plans” to change other taxes, that their spending plans did not require additional revenue and that they would focus on trying to generate extra resources by growing the economy. Invitations to rule out other specific tax rises were generally declined. Cutting higher rate tax relief, which the Chancellor advocated before having responsibility for Labour’s tax policy, is in the “no plans/not needed” category rather than the “ruled out” category, but implementation would be challenging. After Sir Keir Starmer mistakenly gave the impression that the option to take a 25% tax-free lump sum would soon expire, Labour said they had a “firm commitment” not to change the system; it is unclear whether this extends to not cutting the maximum £268,275 in cash terms.
- **Lifetime Allowance:** Labour’s manifesto said nothing about restoring the Lifetime Allowance, which they once promised to do “immediately”, and their fiscal plans at the election did not include any revenue from doing so. Not committing to bring the LTA back is not the same as committing not to bring it back, but there have been hints that they will not restore it.
- **State Pensions:** Labour are committed to applying the Triple Lock throughout this Parliament. OBR forecasts suggest that the 2.5% underpin will bite in three years of this Parliament, in which case the Triple Lock will produce bigger pension increases than would be due under the earnings indexation required by statute. A review of when State Pension Age should rise to 68 is due by 2029; Labour have not said how quickly they will conduct this.

# Part 1: Economic policy framework and Budget timing

## When might Labour present their first Budget?

Recent elections which led to a change of government were followed by Budget statements around two months later<sup>1</sup>. In her first major speech as Chancellor, Rachel Reeves said only that a Budget would be held “later this year”<sup>2</sup>.

Pressed on the likely timing of her first Budget during the campaign, Rachel Reeves said she would not hold a fiscal event without commissioning a forecast from the Office for Budget Responsibility and that the OBR requires 10 weeks’ notice<sup>3</sup>. That implies an earliest possible date of 13 September, though it seems unlikely that a new Chancellor would choose Friday 13th for their first fiscal event. A Budget around that time would also make Parliamentary votes on Budget Resolutions clash with party conferences<sup>4</sup>.

It should be possible to deliver a Budget slightly sooner: the 10 weeks requirement does not apply in “exceptional circumstances”<sup>5</sup>, and the 2015 Summer Budget was delivered a little under nine weeks after polling day (though the summer holiday season may be more of a challenge this time). A Budget could plausibly be delivered either in early September (in which case the date would have to be announced soon) or in October/November.

More generally, Labour’s manifesto says “we are committed to one major fiscal event a year”<sup>6</sup>.

## Inflation target under the new government

Rachel Reeves has said that Labour would reaffirm the Bank of England’s symmetrical 2% CPI inflation target<sup>7</sup>.

## Fiscal rules

Labour proposes to follow two fiscal rules:

- Public sector debt should be projected to fall as a share of GDP in the fifth year of the Office for Budget Responsibility’s forecast period
- The current budget should be in balance or surplus – i.e., revenues must cover day-to-day spending, with the government only borrowing to invest. Whether this target also relates to the fifth year of the forecast period has not been made explicit.

The first of these rules was followed by Jeremy Hunt, but his second rule sought to limit overall government borrowing (whether for current spending or investment) to 3% of GDP in the fifth year<sup>8</sup>.

## Labour plan to enact “socio-economic duty” in Equality Act

Labour’s manifesto said they “will enact the socio-economic duty in the Equality Act 2010”. This will require public authorities (including those responsible for pensions policy) to have “due regard” to the desirability of exercising their functions “in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage”<sup>9</sup>.



1. This was the case in 1997 and 2010, and in 2015 (when the Conservatives formed a government on their own, having previously been in Coalition with the Liberal Democrats).

2. [Speech](#) delivered on 8 July 2024

3. Media Q&A following campaign speech in Derby, 28 May 2024

4. Liberal Democrat conference takes place on 14-17 September; Labour’s runs from 22-25 September; and the Conservatives’ is 29 September - 2 October.

5. [Memorandum of understanding between the Office for Budget Responsibility, HM Treasury, HMRC and DWP](#); undated November 2023

6. [Change: the Labour Party manifesto 2024](#)

7. [Rachel Reeves’s Mais Lecture](#), 19 March 2024. During the election campaign, Sir Keir Starmer wrote that “prices in the shops are far too high” ([I have a plan to make you richer](#), by Sir Keir Starmer. *Metro*, 19 June 2024). We do not think that was intended to mean that the Bank should instead aim to bring the price level down.

8. [How do the parties’ policy proposals fit in with their fiscal rules?](#) Institute for Fiscal Studies, 4 June 2024

9. <https://www.legislation.gov.uk/ukpga/2010/15/section/1> The duty has already been brought into force in Scotland and Wales



# Part 2: Pension investment and wider DB policy

## Changing pension funds' asset allocation as way of boosting growth

Like her predecessor, Rachel Reeves wants pension funds' asset allocations to change. In her first major speech as Chancellor, she said: "we will turn our attention to the pensions system, to drive investment in homegrown businesses and deliver greater returns to pension savers". This echoes several comments made in Opposition:

- Labour's manifesto heralds a review of the pensions landscape, which will "consider what further steps are needed to improve pension outcomes and increase investment in UK markets", while a January 2024 policy document said they would tackle "the barriers to pension schemes investing more into UK productive assets – including cultural and regulation-induced risk aversion"<sup>10</sup>.
- Rachel Reeves has said: "Britain's start-ups...face high hurdles, particularly in accessing finance. Too often, companies that started life here in Britain are choosing to list overseas. Britain's defined benefit pension funds have £2 trillion worth of assets under management, but today more Canadian pensioners benefit from British start-ups than UK savers do."<sup>11</sup>

- Labour said its "first mission in government will be to secure the highest sustained growth in the G7"<sup>12</sup> and Ms Reeves has argued that "What we need to do to grow the economy is to unlock private investment [through measures including]...the pensions reform to get more investment into long-term patient capital, into start-up and scale-up businesses..."<sup>13</sup>
- Ms Reeves added: "Often we lose successful fast-growing unicorn businesses to the US...and one of the things that Jim [O'Neill, an economist and crossbench peer] and I have worked on is how for example we can unlock some of the money invested in pensions – we've got the second biggest in the world assets under management in pensions in the UK, and yet increasingly that money is invested in government bonds rather than in productive capital, and we want to change that and get investment into unlisted equities..."<sup>14</sup>

A wish for pension funds to invest less in government bonds might be tempered by concern for the gilt market, just as Jeremy Hunt's Mansion House speech said "we will always prioritise a strong and diversified gilt market. It will be an evolutionary not revolutionary change to our pensions market."<sup>15</sup>

It remains to be seen how the twin aims of improving outcomes and increasing investment in UK markets will interact.

10. [Financing Growth](#), Labour Party, January 2024

11. [New Business model for Britain](#), by Rachel Reeves, Labour Together, May 2023

12. [5 Missions for a better Britain - Secure the highest growth in the G7](#), Labour Party, September 2023

13. Interview on [The rest is politics podcast](#), (c47 minutes)

14. [Comments at a Tony Blair Institute for Global Change fringe meeting](#) at the Labour Party conference, 10 October 2023

15. [Speech at Mansion House](#), 10 July 2023



## DC investment

In a briefing to journalists ahead of the 2023 Autumn Statement, Rachel Reeves said that not focusing the Mansion House Compact (under which some DC providers have agreed to target investing at least 5% in unlisted equities by 2030<sup>16</sup>) on UK assets was a “missed opportunity”<sup>17</sup>.

In May 2023, she said that, while she did not want to force DC schemes to invest in particular ways, “nothing is off the table”<sup>18</sup>. As a step short of compulsion, Labour would ask TPR to produce guidance covering “their expectation of a default cohort investment approach”<sup>19</sup>.

Labour say they will “set up an opt-in scheme for DC funds to invest a proportion of their assets into UK growth assets – split between venture capital, small cap growth equity, and infrastructure investment... The participating institutional investors will be asked to allocate a small proportion of their funds to the scheme and will have full discretion over which funds from the accredited list they invest in.” They plan to convene discussions on “DC-centric fee arrangements for venture capital” and on “how to improve the credibility of policy stability..., which is a key barrier to higher levels of UK investment in infrastructure.”<sup>20</sup>

More generally, Labour chose not to argue that the Conservative Government’s attempts to get more DC money into private equity would mean savers paying higher fees or to query the expectation of higher returns. Nor did they revive proposals from a decade ago (when Ms Reeves was Shadow Secretary of State for Work and Pensions) to reduce the charge cap on DC default funds<sup>21</sup>. The recent shift in focus from charges to how assets are invested looks likely to survive a change of government.

16. <https://www.theglobalcity.uk/PositiveWebsite/media/research-downloads/Mansion-House-Compact-FAQ-The-Global-City.pdf>

17. [Labour plans pension review in effort to boost funding for UK growth](#) by Josephine Cumbo and Sam Fleming, FT 13 November 2023

18. [Labour willing to force pension plans to invest in £50bn growth fund](#) by George Parker and Josephine Cumbo, FT, 22 May 2023. The remarks were in the context of a [Future Growth Fund proposed by the City of London Corporation](#)

19. [Financing Growth](#), Labour Party, January 2024

20. [Financing Growth](#), Labour Party, January 2024. The first proposal is sometimes described by Labour as a “British ‘Tibi’ scheme”; the name refers to a French initiative to get institutional money into venture capital.

21. [Labour Proposes 0.5% cap on pension charges](#), BBC News Online, 8 February 2014;

## Pension scheme consolidation

Labour want to “enable greater consolidation” across all types of pension schemes. They have given some specifics in relation to DC schemes, primarily new powers for TPR to force consolidation<sup>22</sup>, but not in relation to private sector DB.

They inherit a proposal to establish a public sector consolidator managed by the Pension Protection Fund, which the Conservative Government committed to get up and running by 2026<sup>23</sup>. This idea has support on the centre-left. A more radical version was proposed by the Tony Blair Institute for Global Change, a think tank which has seconded staff to Labour<sup>24</sup>; in 2023, the TBIGC suggested that the PPF could absorb the smallest 4,500 DB schemes by the end of 2024<sup>25</sup>. A recent column in the *Observer* by Will Hutton argues that, as a first step, the PPF should expand to manage £100bn of assets<sup>26</sup>.

Labour could be attracted to the idea of directly influencing how a chunk of DB assets are invested rather than using various carrots and sticks to affect trustees’ investment decisions. If they want to take the PPF consolidator idea forward, key decisions (most of which the previous Government had not taken – or at least not announced) include:

- **Entry price:** DWP had suggested something cheaper not only than buyout but also than commercial superfunds; the PPF proposed that the price should instead be comparable to that charged by commercial superfunds<sup>27</sup>.
- **Security:** The previous Government seemed to be leaning towards providing a “limited” taxpayer guarantee in return for Government influence over asset allocation. The PPF argues that using its reserves is not “a currently viable alternative”.
- **Benefit standardisation:** The public sector consolidator would not replicate scheme benefits. Ministers would have to be comfortable with how standardisation creates ‘winners’ and ‘losers’, though the extensive menu of benefit designs suggested by the PPF would mitigate this.
- **Which schemes?** The previous Government suggested no “hard limits” on eligibility; instead, the consolidator would have an objective to offer an option for schemes that are unattractive to commercial providers. If the price/security combination were appealing, eligibility criteria and how schemes are prioritised for entry could prove contentious.

- **Voluntary or compulsory?** The Conservative Government said that entry into the consolidator would always be voluntary. Labour could in theory revisit this.

In settling these questions, the new Government will need to be clear about its objectives. Is the aim primarily to fix a perceived (but disputed)<sup>28</sup> market failure under which smaller schemes supposedly cannot access commercial solutions? Or is it to allow government to influence investments? The PPF says that “running a substantive allocation to UK productive finance assets would require the consolidator to achieve a significant scale”.

A radical variation on this theme would be to use pension assets to reduce public sector debt with taxpayers providing pensions on a pay-as-you-go basis<sup>29</sup>. There is no sign that this is being considered.

## Surplus-sharing

The previous Government consulted on proposals to facilitate surplus-sharing agreements between trustees and sponsors, which could lead to some schemes running on and taking investment risk for longer than they otherwise would.

We have not seen Labour comment on this agenda, though they resisted any temptation to accuse the previous Government of putting benefits at risk by even considering a lower funding hurdle for making payments to employers.

A new Government with a large majority will hope to retain power for some time. It may therefore be especially anxious to protect itself from the embarrassment that might follow if a scheme made a payment to an employer and subsequently got into trouble (noting that Rachel Reeves chaired the Business Select Committee during its inquiry into Carillion’s collapse). However, this would have to be weighed against the potential advantages of encouraging a different investment approach or of utilising existing surpluses in ways that could boost business investment and/or pensioner incomes.

22. [Financing Growth](#), Labour Party, January 2024

23. [Options for defined benefit schemes](#), DWP, February 2024

24. [The Battle for Keir Starmer’s Soul](#) by Andrew Marr, *New Statesman*, 13 March 2024

25. [Investing in the future: boosting savings and prosperity for the UK](#), TBIGC, May 2023

26. [Labour needs billions to fund its plans – and I know where it can be found](#) by Will Hutton, *Observer*, 30 June 2024

27. [PPF response to the consultation](#), April 2024,

28. See [Open for business: how the bulk annuity market has expanded to welcome small schemes](#), DLA Piper, June 2024

29. See [The river of gold: the politics of pension scheme surpluses](#), by Alastair Meeks, 14 December 2023



Ultimately, how the assets backing DB pension promises are invested and the ways in which policy can influence this will depend on where those assets sit and where they are headed – in schemes running on, with insurance companies, or in commercial or public sector consolidation vehicles.

Aside from the debate about making it easier for schemes to run on and pursue surpluses, the fact that many schemes are in surplus on a buyout basis means the government might face lobbying about how surpluses are (in accordance with scheme rules) distributed on wind-up.

### Linking the tax treatment of pension funds to asset allocation?

When a backbencher in 2018, Rachel Reeves proposed that “legislation could require that 20 per cent of all pension contributions be invested in employment-creating opportunities in exchange for the tax reliefs currently available to pension funds”<sup>30</sup>. This is not current Labour policy.

This idea was broadly echoed by the Tony Blair Institute for Global Change in 2023; it said that tax privileged investment returns should be conditional on a fund size of £25bn and a “required minimum share of the total fund invested in UK companies and qualifying infrastructure assets – say 25 per cent”<sup>31</sup>.

30. [The Everyday Economy](#) by Rachel Reeves, March 2018

31. [Investing in the future: boosting savings and prosperity for the UK](#), TBIGC, May 2023. The report does not explain how the size threshold would be enforced when market movements take a fund below the required size.



## Other investment proposals

### Solvency II assets

Labour says it “fully supports” the previous Government’s Solvency UK reforms. It has suggested that upgrading energy transmission infrastructure will provide additional assets for insurers to hold<sup>32</sup>.

### National Wealth Fund

Labour has proposed a National Wealth Fund, which would be capitalised with £7.2bn of taxpayer funding over the course of the Parliament. They hope to attract three times as much private investment (so around £22bn), and plan to allocate:

- £1.8 billion to upgrade ports and build supply chains across the UK
- £1.5 billion to new gigafactories
- £2.5 billion to rebuild our steel industry
- £1 billion to accelerate the deployment of carbon capture
- £500 million to support the manufacturing of green hydrogen.”<sup>33</sup>

The task force advising Labour includes the CEOs of the Universities Superannuation Scheme and Aviva, and the CIO of Brunel Pensions<sup>34</sup>.

### Climate-conscious investments

Labour’s manifesto says they would mandate pension funds and insurers “to develop and implement credible transition plans that align with the 1.5°C goal of the Paris agreement”.

## Wider DB policy

### DB funding regime

The new Secretary of State for Work and Pensions will be asked to approve a Code of Practice on scheme funding that The Pensions Regulator has prepared. The timing of the election has prevented the Code from coming into force on 22 September as intended. Provided that TPR is not asked to go back to the drawing board, it will still be possible for the Code to come into force later this year.

When the primary legislation establishing the new funding regime went through Parliament, Labour tabled amendments which they said aimed to “protect [open] schemes from any inappropriately risky or risk-averse requirements that would significantly adversely affect the affordability of schemes for employers and members”<sup>35</sup>.



### PPF (lifeboat function)

The Conservative Government signalled in February that it would consult on PPF compensation levels and on legislation governing the levies the PPF can charge “in the coming months”<sup>36</sup>. Labour’s manifesto does not address this.

It seems likely that any government would in principle like to enhance PPF compensation. Passing legislation that results in PPF levies being suspended should also be welcomed by businesses (though some may think they should at some point get money back rather than just not having to pay more in). We would therefore expect this consultation to go ahead, subject to Labour not deciding that PPF reserves should instead be used to capitalise a public sector consolidator. How quickly may depend on whether a Pensions Bill is introduced in the first session of the new Parliament (which might be signalled in the King’s Speech on 17 July).

### Discretionary increases

While Labour frontbenchers have expressed sympathy for pensioners who feel they should receive discretionary increases, they have not called for any policy intervention<sup>37</sup> or disputed the previous Government’s position that “whether discretionary increases are made must be a matter for the trustees and the sponsoring employer”<sup>38</sup>.

32. [Financing Growth](#) Labour Party, January 2024

33. [Reeves to campaign on the economy as party restates 650,000 new jobs pledge](#) by Katie Neame, Labour List, 16 June 2024

34. [Rachel Reeves appoints independent Taskforce on National Wealth Fund](#), Labour Party press release 10 March 2024, republished by Policy Mogul.

35. Remarks made by Seema Malhorta, then a shadow DWP minister, in [Pension Schemes Bill Committee, 5 November 2020](#)

36. [Options for defined benefit schemes](#), DWP, 23 February 2024

37. See comments from Vicky Foxcroft, who spoke from the Labour frontbench in a House of Commons [debate](#) on 2 May 2024

38. Paul Maynard, [Hansard 17 January 2024, col.327WH](#)

# Part 3: Workplace pensions policy

## Extension of automatic enrolment

Legislation which Labour supported in 2023 empowers the Government to:

- reduce the age from which workers are enrolled. This is currently 22, and the intention was to reduce it to 18.
- Abolish a tranche of earnings which need not be pensionable (currently the first £6,240 of earnings) and set out a timetable for reducing this threshold gradually.

For most of the 2.5 million existing workplace pension scheme members directly affected<sup>39</sup>, making pension contributions start from the first pound of earnings would mean almost £500 more being contributed to their pensions each year. It was estimated that 0.5 million 18-21 year-olds would be brought into workplace saving; this number may be higher once Labour implement their manifesto commitment to increase minimum wage rates for 18-20-year-olds.

The previous Government had not begun consulting on when to implement these changes, and the March 2024 Office for Budget Responsibility forecasts assume that no changes will begin to be implemented within the forecast period (i.e., not before April 2029)<sup>40</sup>. Labour have been similarly reticent about a timetable, despite complaining in Parliament that “still we have seen no update on when this will be implemented”<sup>41</sup>.

In deciding on a timetable, the Government will be conscious that higher pension contributions will lead to take-home pay and tax revenues being lower than they otherwise would be. This is not just the result of employee contributions and associated tax relief: the OBR assumes that higher employer contributions largely crowd out wage growth, and therefore lead to lower income tax and National Insurance receipts<sup>42</sup>.

This may well be seen as a reason to proceed slowly (and potentially even to delay a timetable once announced, as happened with the original roll-out of automatic enrolment), though it is conceivable that a new Government, which will want to talk about a changed

economic model, could embrace higher saving as part of that. Labour’s manifesto talks about giving families and businesses “due warning” of tax and spending changes, and it seems likely that any government would want to apply the same principle to pension changes that affect deductions from pay and employment costs.

In January, Labour said they would “Work with the sector to pilot innovative approaches for encouraging savings, such as NEST Insights’ workplace savings programme...[and]...review the legislative and regulatory barriers to enabling a more widespread roll out of innovative savings programmes.”<sup>43</sup> The NEST Insight pilot in question involves workers saving into a liquid savings vehicle, as well as their workplace pension, with contributions diverted to the pension when the liquid buffer is above a certain level<sup>44</sup>. While the language used here only talks about removing barriers, the Government may want to weigh up how to prioritise more liquid savings vs more pension savings.

## Rachel Reeves’s past views on the earnings trigger

When Rachel Reeves was Shadow Work and Pensions Secretary ahead of the 2015 election, she championed the idea of making more low-paid workers eligible for automatic enrolment<sup>45</sup>.

Labour have continued to highlight that women are more likely to be excluded under current rules, on account of being more likely to work part-time<sup>46</sup>. However, they might plausibly conclude that the exclusion of low earners is less of a problem now that the earnings trigger has been frozen for a decade:

- the earnings trigger is now equivalent to less than 17 hours work per week on the minimum wage, as opposed to more than 30 hours in 2014; and
- it is now below the value of the full New State Pension (meaning that single-job part-time workers are nudged to save for a pension even when their current personal income – though not necessarily their household income – is lower than they would expect it to be in retirement).

39. [Impact Assessment](#) for the Pensions (Extension of Automatic Enrolment) Act 2023, DWP, March 2023

40. [Policy risks database](#), OBR, updated March 2024

41. Gill Furniss, who was then Labour’s shadow pensions minister, [Commons Hansard, 5 February 2024, col.3](#) though her comments could be read to mean that more low earners should be enrolled.

42. [Economic and Fiscal Outlook](#), OBR, March 2018

43. [Financing Growth](#) Labour Party, January 2024

44. <https://www.nestinsight.org.uk/liquidity/#1675271766586-a56b52ef-1c06>

45. [Labour plans to automatically extend workplace pensions to 1.5m low earners](#), by Rowena Mason, The Guardian, 29 May 2014

46. Gill Furniss, who was then Labour’s shadow pensions minister, [Commons Hansard, 5 February 2024, col.3](#)

## Ministers' views

The new pensions minister, Emma Reynolds, is both a DWP minister and a HM Treasury minister, which may have advantages where the government's pensions agenda crosses departmental boundaries. Prior to the election campaign, she worked for The City UK, which has advocated "improving contribution rates" to DC schemes, as well as consolidating them<sup>47</sup>. Historically, DWP has favoured improving contributions more quickly than HM Treasury has.

Even if the pensions minister personally supports increasing contributions (as some Conservative pensions ministers did), policy decisions with significant effects on take-home pay and tax revenue would ultimately require agreement from the top of government.

Another DWP minister, who will not have responsibility for pensions policy, is Sir Stephen Timms, who chaired the Work and Pensions Committee in the last Parliament. He has said: "I completely understand that the recent cost of living crisis hasn't been a period in which the government has felt it could announce an increase in people's pension contributions, but we really do have to do that, I think, soon after the forthcoming election."<sup>48</sup> As well as wanting the 2017 changes to be implemented<sup>49</sup>, he has advocated increasing contribution rates to 12% over the next decade<sup>50</sup>.

## TUC views

The Trades Union Congress, some of whose members are affiliated to Labour but which has distinct policy positions, has argued that making earnings pensionable from the first pound should be a priority. Thereafter, it thinks employer contributions should gradually rise to 10%. The TUC has also called for the earnings trigger to be phased out so that even the lowest earners are automatically enrolled<sup>51</sup>.

## Other workplace pensions and savings policy

### Collective Defined Contribution/ Sustainable DB/ DC retirement income

The statement of Labour policy that emerged from their 2023 National Policy Forum process said they would: "Encourage the creation of Collective Defined Contribution (CDC) pensions and explore other policies that could encourage saving for retirement".

It also said they would "Work in partnership with industry to ensure Defined Benefit schemes and Defined Contribution arrangements remain sustainable and provide a secure income throughout retirement"<sup>52</sup>.

### Employee choice of pension provider

The Conservative Government consulted on the idea of "stapling" an employee starting a new job to a historical pension pot where the employee did not actively choose a provider<sup>53</sup>. We have not seen this concept discussed by anyone who has been appointed to a ministerial role.

### Dashboards

Labour supported the principle of pension dashboards<sup>54</sup> and have not proposed any changes to the current timetable. New ministers will no doubt be briefed on officials' assessment of implementation challenges. The previous pensions minister insisted he was confident the timetable was "on track", having asked officials to remove any "optimism bias" from what they were telling him<sup>55</sup>.

### Using pension savings for house deposits

Asked during a radio phone-in whether she would allow young people to use tax-relieved pension contributions to pay for a deposit on a home, Rachel Reeves replied: "we still have people retiring into poverty because they haven't been able to save during their working life and that's why those tax breaks are available for saving for retirement and I would be very cautious about saying that people can draw down that money early because then you're building up a time bomb for later on."<sup>56</sup>

The day after Ms Reeves made these comments, the former Conservative MP Natalie Elphicke defected to Labour and it was reported that she would have a role advising the party on housing policy<sup>57</sup>. Ms Elphicke had argued in March 2024 for "Pension contribution flex, where a first-time buyer is able to channel pension contributions to a home deposit ISA which can only be used for a mortgage deposit [on a newly built home] (or back to the pension if not ultimately required)"<sup>58</sup>.

### Gender pension gap

Rachel Reeves used a newspaper interview during the campaign to say: "I would love to be the Chancellor of the Exchequer who closes the gender pay gap."<sup>59</sup> This would of course affect the gap between future male and female pensions and may hint that this could be an area of focus in itself.

47. [Financing Britain's Future: The City UK's manifesto for the next Government, June 2024. This was published shortly after Ms Reynolds left to fight her constituency campaign.](#)

48. [V-FM Pensions podcast, Episode 67, 17 May 2024](#)

49. <https://x.com/ILCUK/status/1801232982943899830>

50. [Lifting AE contributions must be a priority for a new government, Timms](#) says by David Admas, Pensions Age 17 June 2024

51. [TUC written evidence to the Work and Pensions Committee](#), June 2022

52. Published by [Labour List](#), 5 October 2023

53. [Looking to the future: greater member security and rebalancing risk](#), DWP, November 2022

54. See, for example, comments from Matt Rodda, then the shadow pensions minister, [Commons Hansard, 20 January 2023, col.701](#)

55. [Pensions minister says dashboards on track but IFAs sceptical](#), by Nicola Blackburn, Citywire, 12 February 2024

56. [Ring Rachel: The Shadow Chancellor Joins Iain Dale](#), LBC, 7 May 2024 (26:21)

57. [Natalie Elphicke: Labour insists ex-Tory MP is 'good fit' for party](#) by Brian Wheeler, BBC News Online, 9 May 2024

58. [Reset, recharge, deliver: a Budget for Housing](#), Housing Finance Institute, March 2024

59. [Interview](#) with The Times, 20 June 2024

# Part 4: Pensions taxation

## Labour's manifesto and election campaign stance on tax

Labour's manifesto says: "we will not increase National Insurance, the basic, higher, or additional rates of Income Tax, or VAT". An increase to the main rate of Corporation Tax was also ruled out.

This wording leaves some leeway when it comes to pensions. Not increasing rates of income tax does not preclude increasing income tax revenue by restricting tax relief on pension contributions or limiting tax-free lump sums (though see below). The wording on National Insurance is broader but does not explicitly rule out extending National Insurance to pension income or ending employer and employee National Insurance relief on employer pension contributions.

Beyond the manifesto commitments, Labour's narrative during the election campaign was:

- Specific tax rises have been outlined to pay for spending commitments.
- There are "no plans" to increase other taxes.
- The party's spending plans do not require further tax rises.
- They want to grow the economy, which would make more spending affordable.
- "Labour will not increase taxes on working people" – a category which Rachel Reeves said included retirees<sup>60</sup>.
- Budgets for the next five years cannot be written in advance, so other tax rises are not ruled out.

The refusal to rule out other tax rises was occasionally relaxed where campaign dynamics required it<sup>61</sup>. In the pensions space, Labour appeared to offer a commitment not to end tax-free lump sums, while other potential changes remained in the "no plans" category. It was suggested in one interview that the promise not to increase working people's taxes boils down to not increasing income tax, National Insurance or VAT<sup>62</sup>, in which case this commitment would not preclude restrictions on pensions tax relief.

The insistence that Labour's spending plans would not require further tax rises was in the context of the Conservative Government having pencilled in tight spending totals without yet allocating budgets to all departments, with Rachel Reeves saying, "we're going

to have to live within the envelope"<sup>63</sup>. Since the election, the new Chancellor has commissioned "an assessment of the state of our spending inheritance, to be presented to Parliament before the summer recess,"<sup>64</sup> which some commentators have suggested may pave the way for spending totals to rise. In his first press conference as Prime Minister, Sir Keir Starmer said: "We're going to have to take the tough decisions and take them early, and we will...But that is not a prelude to saying there's some tax decision that we didn't speak about before we're about to announce now."<sup>65</sup>

## Campaign debate about Labour's position on pension tax issues

### Tax relief on pension contributions

After the Conservatives promised not to end higher rate tax relief on pension contributions, a spokesman for Rachel Reeves said "we have no plans to change pension tax relief...it's not something we are looking at", but that it would be a "dead end" if every potential tax change had to be ruled out.<sup>66</sup>

Before she was responsible for Labour's tax policy, Rachel Reeves repeatedly argued that higher rate taxpayers should not receive tax relief on pension contributions at their marginal rate of income tax:

- In 2011, she wrote that "it cannot be right" that a £1,000 pension contribution costs a higher rate taxpayer less (in terms of post-tax income foregone) than it costs a basic rate taxpayer – a feature of a system under which saving through a pension involves deferring receipt of taxable income. This, she argued, was a "very inefficient" use of the public money "spent on pensions tax relief" and was "in urgent need of attention". A Labour government "must find ways to create a more progressive system," and "offering higher relief to those on lower incomes than those on higher incomes should be explored"<sup>67</sup>.
- In 2016, she advocated a flat 33% rate of tax relief for everyone (rather than higher rates for lower earners), such that "For every £2 that savers put towards their pensions [from post-tax income], the government would contribute another £1". Tax relief "could be rebranded as a government-backed savings scheme".<sup>68</sup>
- In 2018, she was less specific, simply suggesting that higher rate reliefs could be "restricted"<sup>69</sup>.

60. Rachel Reeves, interview with Nick Robinson, *Today Programme*, BBC Radio 4, 19 June 2024

61. E.g., *Sir Keir Starmer forced to rule out capital gains tax on family homes* by Will Hazell, *Telegraph* 16 June 2024

62. Was Streeting, then the Shadow Health Secretary, [LBC interview](#), 14 June 2024. Mr Streeting added that Labour was thinking about people on "lower-middle incomes". Sir Keir Starmer later said that, when he talks about working people, he has in mind "people who earn their living, rely on our services, and don't really have the ability to write a cheque when they get into trouble" ([LBC interview, 18 June 2024](#)).

63. Interview with Nick Robinson, *Today Programme*, BBC Radio 4, 19 June 2024

64. Rachel Reeves speech, 8 July 2024

65. [Downing Street press conference](#), 6 July 2024

66. [Rachel Reeves has 'no plans' to revisit UK pension tax](#) by George Parker and Josephine Cumbo, FT, 5 June 2024

67. Securing social justice: pensions and savings for all by Rachel Reeves, in [The Purple Book: a progressive future for Labour](#), edited by Robert Philpot, 2011

68. Letter to The Times quoted in [Reeves: Chancellor must choose flat rate tax relief](#) by Mark Sands, Money Marketing, 3 March 2026

69. [The Everyday Economy](#) by Rachel Reeves, March 2018



Asked whether voters should think she no longer believes in changes she once advocated, Ms Reeves replied: “Now what’s happened since then, and that was many years ago now, is that the economy has stagnated, living standards have declined...the way out of this is not more taxes or tinkering with tax rates, it is a wholesale reform of how our economy works...” When it was put to her that “voters are entitled to conclude you *might* do what you believed in a few years ago”, she replied: “But we don’t need to do those things. What we’re seeking at this election is a mandate to grow the economy. Not a mandate to tinker around with tax rates, that’s not what I’m about...”<sup>70</sup>

### **Tax-free lump sums**

In two radio phone-ins, listeners asked Sir Keir Starmer whether he would change the ability to take 25% of a pension pot tax-free. On the first occasion, he just emphasised that “none of our plans require a tax rise”<sup>71</sup>. In the second phone-in, he mistakenly suggested that tax-free lump sums were on their way out in any case; when clearing up the confusion, Labour (eventually) went further than they previously had in ruling out changes to tax-free cash:

- Asked whether he was going to remove the option to take a 25% lump sum from a listener who was “close to retirement age” and had built up “a modest fund”, Sir

Keir replied: “Well it runs out in a number of years and we’re not going to renew it.”<sup>72</sup> Pressed, he suggested that the facility was due to expire in “two or three years”.

- Labour said that Sir Keir made “an old-fashioned mistake”, that he was thinking of unrelated temporary tax breaks such as zero stamp duty on some properties, and that he had “absolutely not” accidentally disclosed a secret tax plan<sup>73</sup>.
- The immediate statement from the Labour leader’s office said: “The ability to withdraw 25% of your pension as tax-free lump sum is a permanent feature of the tax system and Labour are not planning to change this.”<sup>74</sup> This did not go as far as saying that they would not change it: the reference to a “permanent feature” appeared to correct Sir Keir’s factual mistake, with the “no plans” part of the statement describing Labour’s position.
- Later, the *Financial Times* asked Labour whether they were making a solid promise not to change the current system; a spokesman was quoted saying: ‘It’s a firm commitment’<sup>75</sup>. From what was reported, it is not clear whether this commitment extends to not reducing the maximum amount of tax-free cash (£268,275). We have not seen Sir Keir Starmer or Rachel Reeves be asked to repeat the Labour spokesman’s commitment.

70. Interview with Nick Robinson, *Today Programme*, BBC Radio 4, 19 June 2024

71. [LBC radio interview](#), 18 June 2024 (around 16 minutes). Liz Kendall, then the Shadow Secretary of State for Work and Pensions, gave an almost identical answer when asked on [Good Morning Britain](#), ITV, 26 June 2024 (1:24)

72. [Nicky Campbell – Election 2024: your questions for Sir Keir Starmer](#), BBC Radio 5 Live, 28 June 2024 (22 minutes)

73. [Starmer admits to ‘old fashioned mistake’ on pension tax policy](#) by George Parker and Josephine Cumbo, FT.Com, 28 June 2024

74. [The 25% pension tax-free lump sum is permanent by Ben Chu and Anthony Reuben](#), BBC Verify, 28 June 2024, 10:17

75. [Starmer admits to ‘old fashioned mistake’ on pension tax policy](#) by George Parker and Josephine Cumbo, FT.Com, 28 June 2024



Instead, Labour's manifesto was silent on the LTA and did not assume any revenue from its restoration. Factors that may have influenced this decision include:

- Unless it was clear how doctors would be protected, this could have been portrayed as a threat to NHS capacity.
- Labour would have faced difficult technical questions – for example, about people whose position in relation to a restored LTA was affected by contributions/withdrawals made since March 2023. They may not have anticipated needing to address such issues; when LTA abolition was announced, Rachel Reeves predicted a Government u-turn, saying “I don't think it will come to that” [Labour restoring the LTA] because “this could unravel as quickly as it began”<sup>81</sup>.
- Sir Keir Starmer has an unregistered pension (not tested against the LTA) from his time as Director of Public Prosecutions. Challenged on this in March 2023, the Labour leader said he would want to be “included within” any restrictions he introduces and “be in the same position as everyone else,”<sup>82</sup> but Labour never described how they would do this.

Not committing to restore the LTA is not the same as committing not to restore it. However, “a Labour source” appeared to hint that the LTA would not be brought back when telling the *FT* that that Labour would “sort out the mess” of defective legislation to remove it and did not want to add to the uncertainty<sup>83</sup>. They might also fear that grappling with the complexity of restoring the LTA would consume a lot of ministerial and official attention that could more usefully be devoted to other priorities.

The case for reinstating the LTA will be affected by anything else that Labour does in the pensions tax space. For example, the LTA is an indirect control on wealthy individuals' ability to use pensions for estate planning purposes, which could be targeted more directly. This case will also be affected by how much revenue is perceived to be at stake. A former head of HMRC now advising Rachel Reeves has suggested that HM Treasury may have underestimated the cost of abolishing it<sup>84</sup>. The revenue at stake will of course depend on the details of any proposal. In February, it was reported that Labour had dropped the idea of public sector exemptions in favour of a higher LTA across the board<sup>85</sup>.

### **Tax on bequeathed pension assets**

Labour's reported response to a Conservative campaign pledge not to extend inheritance tax to unused pension assets did not explicitly rule out doing this, instead stressing that “our priority is growing the economy, not increasing taxes”<sup>76</sup>. They were not directly challenged about maintaining zero income tax following death before 75.

### **Will Labour's pension review look at tax?**

Neither Labour's manifesto nor the policy document that originally announced the promised review of the pensions landscape say whether the tax treatment of pensions will be in scope. An answer given by Sir Keir Starmer during the campaign could be interpreted to mean that the review will not look at tax<sup>77</sup>.

### **Is anything being considered for a first Labour Budget?**

The *Guardian* has reported being told by sources that, in preparing for her first Budget, “Rachel has between 10 and 12 measures she is looking at which she hasn't yet announced, all of which will raise small pots of money, with the ambition they should add up to something...”

The Labour responses quoted did not directly deny the article's thrust, but said final decisions had not been taken<sup>78</sup>. The report did not mention whether the dozen measures include any pension changes.

### **What became of Labour's commitment to restore the Lifetime Allowance?**

Within 12 hours of the March 2023 Budget announcing that the Lifetime Allowance would be abolished, Labour pledged to “reverse this move”, which they branded “a Tory tax cut for the top one per cent”, a “gilded giveaway,” and “a £1bn bung for the wealthiest pension savers”<sup>79</sup>. Soon after, they said they would do so “immediately”<sup>80</sup>.

76. *Sir Keir could impose 'double death tax' warns Chancellor* by Genevieve Holl-Allen, Daily Telegraph, 24 June 2024

77. Nick Ferrari asked Sir Keir Starmer what the manifesto promise of a review referred to. When Sir Keir said “we're going to look across the board at pensions”, the interviewer interjected, “so we're looking at taxation of pension funds”. Sir Keir replied: “No, Nick, we're not. None of our plans require taxation”. ([LBC radio interview, 18 June 2024](#))

78. *Rachel Reeves under pressure from shadow ministers to raise capital gains tax to revive public services*, by Anna Isaacs and Kiran Stacey, The Guardian, 6 June 2024.

79. *Labour commits to reversing Tory tax cut for top one per cent, revealing the change opens up £45,000 “cost of living chasm” for families*, Labour Party press release, 16 March 2023

80. Pat McFadden, then Shadow Chief Secretary to the Treasury, quoted in [Labour calls on Tory MPs to vote against pensions tax cut](#) by Dominic McGrath, Independent, 20 March 2023

81. Interview on ITV's Peston programme, 15 March 2023

82. *Sir Keir Starmer says he would scrap his own pension tax perk*, BBC News website, 23 March 2023

83. *Labour abandons plans to bring back lifetime cap on tax-free pensions savings*, by George Parker and Josephine Cumbo, FT, 9 June 2024

84. <https://x.com/edwardtroup/status/1636043950942310403>

85. *Pension Plan: thousands of workers face huge retirement penalty under Labour...* by Laura Purkess, The Sun, 28 February 2024,

Labour’s manifesto also says nothing about the Annual Allowance. Their main pre-manifesto policy document had said that they would “reverse the changes made by the Government to pension allowances,”<sup>86</sup> with the plural potentially referring to Jeremy Hunt’s decision to increase the standard Annual Allowance from £40,000 to £60,000, and to taper it down further up the income scale<sup>87</sup>. Labour have not budgeted any revenue from AA changes and they are not current Labour policy. Again, this does not necessarily mean that nothing will happen, though NHS-related challenges would be encountered here, too.

## Pensioner tax allowances

A sustained Conservative attack during the election campaign was that Labour planned a “retirement tax”. The basis for this was that Labour did not propose to change current policy, under which: pensioners have the same personal allowance as younger taxpayers; this allowance is set to be frozen until 2028; it would then rise less quickly than Triple-Locked parts of the State Pension<sup>88</sup>; consequently, the full New State Pension is projected to consume 101% of a pensioner’s personal allowance in 2029/30, compared with 92% now.

A small change to assumptions could keep the full New State Pension below the personal allowance. Otherwise, the Government will have to decide whether it is content for a small part of the headline State Pension amount to be taxed. Tax on State Pensions is already a reality for some: because the old State Pension system was often more generous, 1.6 million pensions received State Pensions worth more than the personal allowance in May 2023. The figure will be higher – perhaps around 2.4 million – today<sup>89</sup>, and would be higher still if contracted-out replacements for State Pensions were included.

## Pensions tax policy options

### Tax relief on contributions / moving to an ISA-style tax system

Labour say they have “no plans” to change tax relief and it is “not something we are looking at”. These statements are in the present tense: they do not rule out looking at the pensions tax system in government and developing plans to change it. However, there is no sign that Labour has a secret fleshed-out plan to do so, and changing the tax system in this way is easier said than done.

None of Rachel Reeves’s interventions advocating the end of marginal rate relief (see above) explained how she envisaged changing the tax treatment of employer pension contributions, or employer-financed defined benefit accrual. Not taxing employees upfront on the value of these contributions – the current position – is equivalent to giving tax relief at the employee’s marginal rate. Most contributions come from employers, and the bulk of HMRC’s estimate of the cost of tax relief relates to not taxing employees as though employer contributions were salary<sup>90</sup>.

The number of higher rate taxpayers has increased since Ms Reeves suggested ending higher rate relief, and will do further with the higher rate threshold due to remain frozen until 2028. The Institute for Fiscal Studies has estimated that almost 8 million adults will be paying 40%+ income tax by 2027/28<sup>91</sup>.

If the new Chancellor did want to look seriously at changing the tax treatment of pensions, HM Treasury officials will be able to dust down and update papers prepared for some of her predecessors. The issue was explored in detail after George Osborne launched a review in 2015<sup>92</sup>, and it has been claimed that Boris Johnson vetoed some (unspecified) changes to pensions taxation<sup>93</sup>.



86. [Revealed: Full final policy platform set to shape next Labour manifesto](#), by Katie Neame, Labour List, 5 October 2023

87. Taken most literally, the reference to reversing the March 2023 changes to pension allowances might also include taking the Money Purchase Annual Allowance (which limits the pension contributions people can make after accessing defined contribution savings flexibly) back down from £10,000 to £4,000. However, this always seemed less likely to be proposed; Labour’s [press release](#) pledging to reverse the LTA change cited the cost of “the two measures”, meaning the abolition of the LTA and the package of changes to the Annual Allowance (including tapering); the cost of increasing the MPAA was not included.

88. The OBR assumes that it would rise with CPI during the remainder of the forecast period and with earnings thereafter

89. WTW analysis of DWP data; the first number was also confirmed to the journalist Paul Lewis by DWP following a Freedom of Information request.

90. [Private pension statistics](#), HMRC, September 2023, table 6

91. [A deepening freeze](#), by Isaac Delestre and Tom Waters, IFS, May 2023

92. [Strengthening the incentive to save](#), HM Treasury, July 2015

93. This has been claimed by Dominic Cummings, who advised Boris Johnson in No10, on his Substack.



Amending the existing system to incorporate a flat rate of tax relief would amount to taxing the same income both when it is saved and when it is drawn down. An alternative approach would involve making pensions tax-free on the way out and offering a smaller top-up. This is not without its own problems (such as how to segregate “old pensions”, on which tax would be due in retirement, from “new pensions”) but may fit more naturally with Rachel Reeves’s earlier wish to rebrand tax relief as a “government bonus”. The acceleration of revenue could also help meet fiscal rules.

Under either system, the government could easily change the value of the top-up, so decisions about when to save would involve second-guessing what might happen in the next Budget.

### **Decumulation/bequest rules**

The pensions blogger Henry Tapper reports that: “Several people I have spoken to close to the Labour policy team have told me that Labour intends to review pension taxation in the early days of government with a view to making sense of a system that is increasingly supporting wealth management rather than ‘insurance against living too long’”<sup>94</sup>

It seems unlikely that this means going back to the pre-pension freedom era when the bulk of a DC pot had to be used to secure a lifetime income (at least by age 75 – and in later years only if the individual did not have a minimum income from elsewhere). But it could conceivably mean making pension bequests more heavily taxed, or requiring minimum withdrawals, or pushing back the normal minimum pension age, or somehow encouraging people to use part of a pot to provide longevity protection, e.g., through purchasing a deferred later life annuity.

### **Tax-free lump sums**

It is unclear whether the “firm commitment” offered by Labour following Sir Keir Starmer’s stumble in an on-air Q&A (see above) would preclude reducing the “lump sum allowance” in cash terms. Under the policy Labour inherited, the £268,275 maximum tax-free lump sum would in any case fall in real terms by not rising with inflation.

When a direct cap on tax-free cash was first proposed, as part of Jeremy Hunt’s announcement abolishing the Lifetime Allowance, Torsten Bell – who has just been elected a Labour MP, following reports that “people close to Starmer were begging” him to stand<sup>95</sup> – suggested that “a future government may well cut” the maximum tax-free lump sum<sup>96</sup>. Mr Bell was then running the Resolution Foundation, which has suggested a £100,000 limit<sup>97</sup>.

If policymakers were minded to reduce maximum tax-free lump sums, one key choice would be whether to move the goalposts in respect of historic pension saving (so that someone with a large pension pot would overnight be able to take much less tax-free); doing so would be controversial, but confining the change to future pension contributions would produce little revenue in the short term.

### **IFS proposals on replacing tax-free cash and NI relief**

The Institute for Fiscal Studies has proposed replacing tax-free lump sums with a taxable top-up to withdrawals (so that the pensioner’s tax band does not affect its value), replacing employer National Insurance relief with a subsidy for employer contributions (which could be varied separately from the employer NI rate and which would benefit employers not subject to employer NI), and phasing in employee National Insurance on pension income<sup>98</sup>.

94. [Pensions taxation – why the wealthy aren’t out of the woods](#) by Henry Tapper, 6 June 2024

95. <https://x.com/Peston/status/1796525438027645114>

96. <https://x.com/TorstenBell/status/1636000492093317122>

97. [Tax Planning](#), Resolution Foundation, June 2023

98. [A blueprint for a better tax treatment of pensions, IFS](#), February 2023



# Part 5: State Pensions

## The Triple Lock

Labour's manifesto committed to maintaining the Triple Lock for the duration of the Parliament (i.e., for annual upratings up to and including April 2029, unless the next election is called early). The Triple Lock sees the Basic State Pension and New State Pension rise by the highest of CPI inflation, average earnings growth, and 2.5%<sup>99</sup>. Other parts of the State Pension rise with CPI inflation.

Under legislation, the Basic State Pension and New State Pension must rise at least in line with national average earnings growth. The Triple Lock, a political commitment layered on top of the statutory requirement, leads to more generous upratings only in years when earnings growth is below inflation and/or 2.5%. On OBR forecasts<sup>100</sup>, it will make no difference compared with an earnings link at the April 2025 uprating but the 2.5% underpin is expected to bite in the following three years<sup>101</sup>.

The effect of the Triple Lock is to increase the Basic State Pension and New State Pension relative to average earnings over time, with the scale and timing of these increases unpredictable. The question of how long the Triple Lock should continue to apply might be thought an oblique way of asking how valuable State Pensions should be relative to earnings; the New State Pension is currently worth around a quarter of mean full-time earnings, similar to the Basic State Pension's value when the earnings link was abolished in 1980<sup>102</sup>.

If a government ever did want to move away from the Triple Lock, it may be easiest to announce early in a Parliament that a different policy will apply following the next election (i.e., after the promise made at the last election had been honoured). There is no sign that Labour plans to do that, though it would not be discussed in advance. Pensioners are a smaller part of Labour's electoral coalition than they were for the Conservatives – polls showed them trailing amongst voters aged 65+ even when they had a huge lead overall<sup>103</sup> – but Labour say they are “determined to once again be the pensioners' party”<sup>104</sup>.

The fact that the Conservatives highlighted the (RPI-based) 75p/week increase from April 2000 in the 2024 campaign<sup>105</sup>, even though around 85% of the pensioners who received it have since died<sup>106</sup>, may be testament to the “cut-through” it had. Any replacement for the Triple Lock may have to avoid a repeat controversy – for example, pension levels could be a target percentage of earnings over the long term, but be allowed to exceed this target temporarily (with gains clawed back in later years) so that annual increases could be acceptably high in absolute terms and relative to inflation.

There is also a trade-off between the value of the State Pension and the eligibility age (see below) – though, depending on the details, current pensioners could benefit from one half of a “high pension, high pension age” package without being affected by the other part.

## State Pension Age

### The rise to 67

Labour's plans accept the rise in State Pension Age from 66 to 67 between 2026 and 2028 – something they had opposed at the 2019 election. Maintaining their 2019 stance would have meant finding the resources to pay State Pensions to over 800,000 66-year olds in the later years of the new Parliament.

People turning 67 in 2028 are now projected to live almost three years less long, on average, than they were when Parliament set this timetable<sup>107</sup>, but public sector debt is also higher than it was then expected to be (for example, following the costs of COVID support).

99. The measures used are: growth in whole economy average weekly earnings (including bonuses), comparing May-July with the same three months a year earlier; and CPI inflation over the 12 months to September.

100. [Economic and Fiscal Outlook](#), March 2024, Table A3..

101. The measure of earnings growth published by the OBR is not the one used in the Triple Lock; it is possible that OBR forecasts are consistent with the Triple Lock measure of earnings growth reaching 2.5% in some of these years

102. [The Triple Lock: uncertainty for pension incomes and the public finances](#), Institute for Fiscal Studies, September 2023

103. For example's Opinium's final voting intention poll of the general election campaign gave Labour a 41%-21% lead over the Conservatives but the Conservatives led 34%-28% amongst over-65s.

104. Liz Kendall, then the Shadow Secretary of State for Work and Pensions, [speech to the TUC pensions conference](#), 12 March 2024

105. The Conservative manifesto refers to Labour awarding “a paltry 75p per week increase in the State Pension”

106. WTW estimates based on the ONS life tables underpinning the ONS's 2020-based population projections.

107. The latest projections when the Pensions Act 2014 went through Parliament were the ONS's 2012 based projections, under which men aged 67 in 2028 would on average live for a further 21.3 years and women for 23.8 years. Under the 2020-based projections, these numbers are 18.7 years and 20.8 years. Both projections are available [here](#)

## The rise to 68

Under current legislation, the State Pension Age will rise from 67 to 68 between 2044 and 2046. Legislation requires a review to be completed by March 2029<sup>108</sup>, taking account of longevity and of other factors that the Secretary of State considers relevant.

The Conservative Government said last year that: “We plan to have a further review within two years of the next Parliament to consider age 68.... All options for the rise to the State Pension age from 67 to 68 that meet the 10 years notice period will be in scope”<sup>109</sup>.

To our knowledge, Labour have neither endorsed nor repudiated the proposed timing and scope of the review. Whenever they conduct it, they will need to weigh up factors including: longevity; people’s ability to work later (noting a substantial gap between State Pension and working age benefits); the effect on workforce participation (and the health effects of later working); the public finances; and any benefit from reassuring gilt investors that the Government is acting to address long-term challenges. How to support people who are unable to work longer has received increasing attention; the Institute for Fiscal Studies is due to consider how this might be done through the working-age benefit system (rather than an actuarially reduced State Pension claimed early) in a forthcoming report<sup>110</sup>.

*If the new Government wants to at least consider an increase to 68 that would take place over two years in the late 2030s (when the projected number of 67 year-olds is higher than in the 2040s) and to maintain the 10 years’*

notice principle, it will need to conclude the review before the 2029 deadline. The ONS publishes projections every two years, with 2022-based projections expected in late 2024; the Government could carry out a review based on these projections or wait for the next set.

When a caller to a radio phone-in asked Rachel Reeves to “confirm that there will be...no prospect of raising the state pension age,” she replied: “the state pension age is reviewed independently and periodically but what you’d need to see for any further increases in the state pension age is life expectancy increasing and sadly it’s going backwards at the moment, but also healthy life expectancy and sadly that is also going back at the moment so I don’t think there’s any justification for further increases in the state pension age”<sup>111</sup>.

Despite headlines about Labour promising not to increase State Pension Age<sup>112</sup>, this is not what Ms Reeves said. Rather, she seemed to endorse the current review process (which in fact involves an independent review informing the government’s decision rather than determining it). At most she appeared to say that the data available at the time of the review would have to provide more justification for accelerated increases in the State Pension Age than the current data does, and that life expectancy/healthy life expectancy would have to be rising. The latter is not much of a hurdle without further definition – for example, saying what level of life expectancy for future retirees under ONS projections make a State Pension Age rise acceptable.

## Means-testing the State Pension?

When a caller to LBC radio asked Rachel Reeves to “confirm that there will be no means-testing of the State Pension,” she replied: “...we’ve got no plans to means-test it...”<sup>113</sup>

“No plans” to means-test the State Pension is perhaps a surprisingly weak denial, though she added that this accusation could better be directed at the Conservatives. Means-testing State Pensions would be very challenging, especially if the aim were to reduce spending significantly (rather than just targeting the very richest pensioners).

The issue did not arise in the campaign (where the Conservatives challenged Labour to promise to keep free bus passes and TV licences<sup>114</sup> but not to rule out means-testing the State Pension). It is possible that Labour would have given a firmer commitment if pushed<sup>115</sup>.



108. The [last review](#) was published on 30 March 2023 and legislation requires reviews at least every six years ([s27 of the Pensions Act 2014](#)).

109. [State Pension Age Review 2023](#), DWP policy paper, 30 March 2023

110. [The future of the State Pension](#), IFS, December 2023, pages 67-68

111. [Ring Rachel: The Shadow Chancellor joins Iain Dale](#), LBC, 7 May 2024 (26:21)

112. Labour will not raise state pension age, says Rachel Reeves, by Dominic Penna, Telegraph, 8 May 2024

113. [Ring Rachel: The Shadow Chancellor joins Iain Dale](#), LBC, 7 May 2024

114. [Labour will pick the pockets of pensioners. Rishi Sunak warns](#), by Martyn Brown and Sam Lister, Express, 27 June 2024

115. Since the election, there have been headlines to the effect that Labour may means-test State Pensions based on comments made by Sir Edward Troup, who is advising the Chancellor on unrelated matters. At the time of writing, the Full Fact website had requested a response from Rachel Reeves’s office, which may subsequently be reported at <https://fullfact.org/online/rachel-reeves-pension-quote-false/>



The briefing document was prepared by WTW for the general interest of clients, colleagues, and other interested contacts, following the 4 July 2024 UK General Election. It is not intended for any other use, is not advice, and no decisions should be taken on the basis of the information contained within. While the matters identified are believed to be generally correct, the document draws on many different sources of information and was developed during the election campaign and immediate aftermath, when some of the matters discussed were changing rapidly. It is drafted as at 10 July 2024 and takes no account of developments after that date; it is possible that positions may have evolved further and/or that contextual errors or omissions are present in the reporting.

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