General election 2024 – a pensions wish list

Pensions Age takes a closer look at the key pension priorities in the run up to the summer general election

Pensions are expected to be a key battleground in the upcoming election, with research from TPT Retirement Solutions revealing that three quarters (75 per cent) of savers are more likely to vote for a political party that reforms workplace pensions.

Given this renewed focus on pensions amid the election, industry experts have been quick to outline their key pension priorities for any incoming government, with auto-enrolment (AE) reforms, plans to extend collective defined contribution (CDC), and at-retirement support all high up on the list.

The Pensions and Lifetime Savings Association (PLSA), for instance, has outlined five key areas that it would like the next government to enact in its first 100 days after winning the general election to better secure the financial futures of 'millions' of savers.

"Today more people are saving into workplace pensions, and they have more freedom over how to use their savings. But the future remains uncertain as people are not saving enough for retirement," PLSA director of policy and advocacy, Nigel Peaple, said.

"The next government must do everything it can to help everyone reach a good income in retirement."

These concerns were echoed by Association of Consulting Actuaries (ACA) chair at the time, Steven Taylor, who urged all parties to commit to the timely completion of existing initiatives to provide stability in pensions policy.

TPT's research also suggested that including workplace pension reforms in the political party manifestos could have a "substantial impact" at the ballot box, as nearly nine in 10 (88 per cent) working people with DC pensions want whichever party wins the general election to do more to help people save for retirement.

Here, *Pensions Age* takes a closer look at the policies the pensions industry is hoping to see ahead of the general election on 4 July…

Widening the AE net

AE reforms are high up on the general election wish list for many, as whilst The Pensions (Extension of AE) Act 2023 gained Royal Assent in September last year, the industry is still awaiting the regulations needed to implement the changes, or at least a consultation on this.

"It would be extremely frustrating for these overdue reforms to be delayed any longer," Pensions Management Institute (PMI) director of policy and external affairs, Tim Middleton, said.

This sentiment was shared by Taylor, who argued that "we risk a lost decade of negligible progress since the introduction of AE", encouraging the political parties to commit to extending AE coverage as previously agreed by parliament.

And this is an area that has widespread public support, as research from TPT found that 96 per cent of workers are supportive of reforms to increase retirement savings, such as expanding AE or increasing minimum contributions.

Early industry consensus can also be seen, with a number of organisations specifically calling on any incoming government to increase the legal minimum for AE contributions to 12 per cent of earnings, with costs shared equally between employers and employees.

Broader calls for reform are also growing, as the ACA urged the government to further adapt AE to include the self-employed and those engaged in the 'gig economy'.

However, LCP partner, David Fairs, said that the timing of introducing these AE reforms might be influenced by other spending plans, warning that it seems likely that a future government will have to think carefully about where its financial priorities lie.

Getting CDC over the line

CDC is another ongoing area of reform that many in the industry are hoping will avoid being derailed amid the general election.

"They have garnered cross-party support, and as well as improving potential outcomes for members, will also potentially support investment in assets that will support economic growth," Fairs said.

However, Aegon head of pensions, Kate Smith, argued that timings will be impacted, with plans to extend to multi-employer CDC in particular "now expected to be delayed as government goes into purdah until after the election".

Others in the industry are already setting their sights on broader CDC reforms, as Taylor urged the new government to introduce default decumulation pathways for DC savers, arguing that CDC pension arrangements have the potential to significantly improve retirement outcomes by harnessing the benefits of collectivisation.

He also backed calls to establish a default CDC provider.

The great triple lock debate

The triple lock is expected to be a particularly prominent issue in the upcoming election, with recent research from Hargreaves Lansdown revealing that one third (33 per cent) of savers would be more likely to vote for a party that kept the triple lock.

Some early commitments have already been made in this area, as the Conservative Party recently revealed that it would introduce a 'triple lock plus' if re-elected, while the Labour Party is reportedly set to include a commitment to the state pension triple lock in its upcoming manifesto.

However, this is an area that could prove divisive amongst voters and exacerbate intergenerational tensions, as Hargreaves Lansdown's research found that 10 per cent of younger voters would actually be less likely to vote for a party that protected the triple lock.

Hargreaves Lansdown head of retirement analysis, Helen Morrissey, warned that the political parties also need to take care if committing to pension increases means that over time they have to raise the state pension age, as the research found that 32 per cent of people said this would make them less likely to vote for a party.

Given these concerns, the ACA said the 'triple-lock' should be retained only until 2026 while a full review of the appropriate level is carried out.

All change for pensions tax?

A review of pensions taxation could be another area to watch out for, as Fairs suggested this could be an early priority in the new government's term of office, as "it seems likely that a future government will have to think carefully about where its financial priorities lie".

Evelyn Partners partner, Gary Smith, also warned that a new government might look to the taxation of pensions, or other wealth assets, to "escape the fiscal restraints the main parties have imposed on themselves".

Depending on the tax changes, this is an area that could gain widespread voter support, as TPT found 91 per cent of workers support tax reforms to make it easier to invest more in pensions.

However, Gary Smith warned that savers should be "very wary" of acting on such possibilities, arguing that it is highly unlikely any changes to the tax system would be enacted before April 2025.

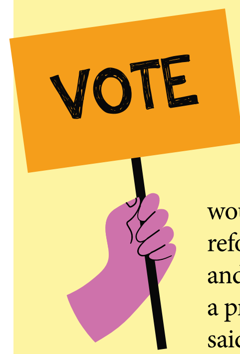
Industry experts have also warned against making any 'knee-jerk' changes to the pension tax regime more broadly.

The lifetime allowance (LTA) has been a particular concern in this sense, amid reports that Labour is still committed to reinstating the tax.

But this may not be straightforward as it sounds, as The Investing and Savings Alliance head of retirement, Renny Biggins, warned that a new LTA would require another set of transitioning rules for those who have already acted based on the existing legislation. "As we have seen with the LTA abolition this would not only be a lengthy piece of work to undertake but would also add yet another level of complexity," he said.

The Institute for Fiscal Studies also said that while there is "some merit" in Labour's plans to bring back the LTA, it would represent a "missed opportunity" to improve and rationalise the pensions taxation system in a wider review.

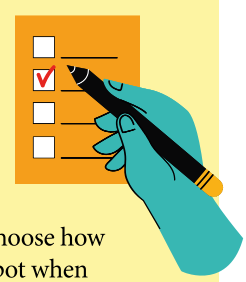
This call for broader change was backed by the ACA, which suggested the next government should look to identify an overall framework that can flex to accommodate the needs of the day.



Putting it all together at retirement

"I would hope that an incoming government would consider reforms to the freedom and choice regime as a priority," Middleton said, arguing that "there is clear evidence that members are making poor decumulation decisions and an initiative to address this would be most welcome."

This is also a popular area of reform with savers, as TPT's research found that 59 per cent of savers would back plans to encourage schemes to introduce a default decumulation option to make it easier for people to choose how to use their pension pot when they retire.



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