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What do the general election manifestos say about pensions?

On 22 May, Rishi Sunak surprised many people by calling a general election for 4 July. In this briefing, we look at what pledges relating to pensions have been made in the manifestos.

In summary, 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). The Labour Party is also planning a review of the pensions landscape (as is Reform UK). A number of parties have pledged new climate change requirements for schemes.

Background

The major political parties have now published their manifestos ahead of the forthcoming general election. Key points around pensions are:

State Pension

Triple lock

Most of the major parties – including Conservative, Labour, Liberal Democrat and the Scottish National Party (SNP) – have pledged to maintain the 'triple lock', i.e. the policy of increasing the State Pension by the highest of inflation, average earnings growth and 2.5%.

There are two notable exceptions to this:

- The Green Party – who would apply a 'double-lock' increase based on inflation and wage rises, but not the 2.5% underpin
- Reform UK – whose manifesto is silent on the triple lock.

The Conservative Party has pledged to go further by introducing a 'triple lock plus'. In addition to the triple lock itself, they would also increase the personal tax allowance for pensioners, "*so the new State Pension doesn't get dragged into income tax".* Plaid Cymru makes a similar promise.

The Liberal Democrat Party would end the "*scandal of lost top-up payments"*, which presumably refers to missing NI credits affecting some women's State Pension.

The SNP is proposing a "*wellbeing pension"* – which appears to be hinting at an increased level of State Pension for all pensioners – while opposing increases to the State Pension age (SPA).

WASPI women

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

The Liberal Democrat Party, Plaid Cymru and the SNP all support compensating the WASPI women. The Conservative Party has pledged to consider the PHSO's report and work with parliament to *"provide an appropriate and swift response".* The Labour Party manifesto is silent about the WASPI women, as is that of Reform UK.

Changes to the pensions tax system

The Conservatives pledge to maintain tax relief on pension contributions at the marginal rate. The Green Party, on the other hand, would base tax relief on all pension contributions on the basic rate of income tax.

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The other main parties are silent on the pensions tax system. It's worth noting that the Labour Party says nothing about re-introducing the LTA, despite having previously said they would, and it is now widely reported that they have dropped their plan to bring it back.

The Conservative Party would not introduce any new taxes on pensions – billing this as a new pensions tax guarantee – and would maintain the 25% tax free retirement lump sum.

They would also cut the rate of employee NI contributions (NIC) to 6% by April 2027, abolish the main NIC rate for the self-employed, and not extend NI to employer pension contributions.

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.

The Liberal Democrat Party would introduce regulations to encourage climate-friendly investments. This would include requiring pension funds to show that their investments were consistent with the Paris Agreement. They would give new powers to regulators to scrutinise investors who don't manage climate risks properly.

The Labour Party wants the UK to become the "*green finance capital of the world"*. They would require UK-regulated financial institutions, including pension funds, to *"develop and implement credible transition plans"* that align with the Paris Agreement's 1.5°C goal.

None of the other main parties, including the Conservatives, say anything specific about climate change requirements for pension funds.

Changes to the pension system

Labour would adopt reforms to ensure schemes "*take advantage of consolidation and scale",* provide better returns for savers and increase productive investment in the UK. They would also carry out a review of the pensions landscape to consider what to do to improve pension outcomes and increase investment in UK markets.

Earlier this year, the Labour Party published *Financing growth – Labour's plan for financial services*, which adds to what they say in the manifesto*:*

- They would set up a scheme modelled on the French 'Tibi' scheme, to allow Defined Contribution (DC) funds to invest some of their assets in UK growth assets including *venture capital, small cap growth equity and infrastructure investment.*
- They would give The Pensions Regulator (TPR) new powers to consolidate DC schemes that do not offer sufficient value for money for members
- They would ask TPR to give *explicit guidance around fund and strategy suitability, and their expectation of a default […] investment approach.*

The Conservative Party says they will implement the Mansion House reforms. These are proposals aimed mostly at DC schemes, and include changes around the disclosure/comparison of value for money. They also proposed changes to make it easier to pay out surpluses in Defined Benefit (DB) schemes to employers.

The Liberal Democrat Party would make sure that workers in the 'gig economy' don't lose out on pensions – by extending the scope of auto-enrolment? – and would protect *portability between roles*, the precise meaning of which is unclear at time of writing. They would also develop measures to end the gender pension gap in private pensions.

Reform UK would review the current pension system, which they say is complex, expensive and delivers poor returns. They would also bring 50% of Britain's utilities into public ownership, with the remaining 50% being owned by UK pension funds.

Mineworkers' pensions

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

Further information

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