# First Actuarial briefing for trade unions Q4 2025

In this briefing we review the pensions content of the Chancellor's Autumn Budget and discuss the latest CDC news.

## Chancellor sets out new measures in Budget

On 26 November 2025, Rachel Reeves, Chancellor of the Exchequer, delivered her Autumn Budget, which contained several pension-related measures.

These measures were revealed earlier than expected, as the Office for Budget Responsibility inadvertently published forecasts before the Chancellor's speech had even started.

### Salary exchange changes

The headline pension news item was the introduction of a £2,000 cap on salary exchange (or salary sacrifice) pension contributions from April 2029. Any contributions over £2,000 each year will not be exempt from either employee or employer National Insurance (NI) contributions.

The Government expects this measure to raise an additional £4.8bn in 2029/30, falling to £2.6bn in 2030/31.

The Government says that 74% of basic rate taxpayers using salary exchange will be unaffected. We expect the bulk of these people to be on a salary lower than £40,000 and paying minimum auto-enrolment contributions.

The people most affected are those earning up to £50,284 pa and contributing significantly more than £2,000 pa. For example, a 10% contribution on £50k is £5,000, leading to additional member NI of £240 and additional employer NI of £450 – quite a tax on meaningful pension saving.

The measure also introduces significant complexity for payroll providers and is hard for employees to understand. Will the 2029 implementation date turn out to be a *U-turn* opportunity?

### British Coal Staff Superannuation Scheme

The Government has confirmed that its £2.3bn investment reserve fund in the British Coal Staff Superannuation Scheme will be transferred to the Scheme's Trustees. The fund will then be paid out as additional pension to members. This follows the release of similar funds from the Mineworkers Pension Scheme in 2024.

### Improved increases from the Pension Protection Fund

From January 2027, the Pension Protection Fund and the Financial Assistance Scheme will provide some increases (CPI-capped at 2.5%) on compensation related to pre-1997 pension accrual, but only where the original schemes provided this benefit.

This is a significant improvement. Just 3% inflation over a 24-year retirement, for example, halves the real value of a non-increasing pension.

### No more changes to the pensions tax regime

A reduction in the £268,275 limit on tax-free lump sums that can be taken at retirement was much speculated. The Chancellor chose not to implement this measure. Nor has there been any change to the rate of tax relief on employee pension contributions – this will remain at the individual's marginal rate.

### State Pension increase

The triple lock will apply to next April's increases to both the basic and the new State Pension, which will be 4.8%.

## Why this matters to trade unions

While many won't be directly affected by these measures, discouraging saving at a time when pensions adequacy is already a concern risks intensifying long-term financial insecurity among workers.

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## Government consults on CDC schemes

Collective Defined Contribution (CDC) schemes provide pensions in a similar way to Defined Benefit schemes by providing members with an income for life. That said, CDC is fundamentally Defined Contribution (DC) in nature – the illustrated benefits are not guaranteed and can be altered to reflect how the scheme fares.

The early pacesetter in adopting a CDC form of pension provision for employees is Royal Mail. First Actuarial worked with the Communication Workers Union (CWU) to find an alternative form of pension provision for Royal Mail, playing an instrumental role in the introduction of CDC in the UK. The Royal Mail CDC scheme launched on 7 October 2024.

Up to now, legislation has only allowed for single-employer CDC schemes, but that's about to change.

On 22 October 2025, the Government published a response to its consultation on multi-employer CDC provision. The legislative framework is expected to be in place by 31 July 2026. The Government expects around five multi-employer CDC schemes to enter the market over the next ten years.

Key advantages of multi-employer CDC include a larger membership – allowing for more pooling of risk and greater economies of scale – and a lighter administrative burden on individual employers.

At the same time, the Government launched a separate *stage one* consultation on retirement-only (or decumulation-only) CDC. Under this arrangement, a pension pot would be transferred into a CDC scheme at retirement in return for a CDC pension payable to the member for life.

While we expect this to be some years away, it may eventually offer employees with DC arrangements an exciting opportunity to convert their pension provision to a retirement income.

First Actuarial has a team dedicated to CDC knowledge-sharing. **Take a look at our CDC landing page**.

## Why this matters to trade unions

We believe that providing a retirement income for life, not a saving pot, is the right thing to do. CDC offers the potential of a better pension than DC from the same contributions, most of the time. A reliable income for life improves financial wellbeing.

## This briefing's question

How much would an individual entitled to the full new State Pension receive per week from April 2026 (to the nearest pound)?

| £190 | £241 | £280 | £201 |
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## Merry Christmas!

With best wishes for the festive season to our friends in the trade union movement, and we look forward to working together in 2026.

## 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 support trade unions in negotiations with employers, lobby government, resolve problems within specific schemes, 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' own 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 banner.

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