The new Labour government: what's in store for pension schemes?

Congratulations to Sir Keir Starmer's new government. As the opinion polls predicted, Labour has been elected with a landslide majority. This means it can effectively make legislation, including pensions reforms, as well as formulate and execute policy.

Labour has promised to work with business and bring stability after years of disruption. We urge the party to apply this approach to pension schemes and the wider pensions industry when it embarks on its planned pensions review.

Labour wants pension schemes to support broader policy goals, with manifesto pledges that include:

- Telling pension schemes to develop transition plans aligned with the Paris Agreement on climate change
- Requiring pension schemes to increase investment in UK markets and consolidate workplace schemes
- Keeping the triple lock against inflation and improving outcomes for savers and pensioners
- Carrying out a long-overdue review of the pensions market to promote these goals

There are already signs that Labour is listening to the industry, having relented on its original intention to reinstate the lifetime allowance on tax relievable pension savings (abolished by the last government in April 2024).

Labour has the opportunity to improve outcomes

We welcome Labour's ambitions, but caution against any perception of pensions as a soft target in the review and, before then, as part of the budget expected in September.

Reactive measures to shore up public finances are likely to raise more problems than they solve. Disruption will confuse pension savers and put money in the pockets of advisers and lawyers at the expense of members and policyholders.

Pensions are long term and, carried out thoughtfully, Labour's review is an opportunity to deal with problems in the market and improve outcomes for savers.

Most importantly, half of pension savers aren't saving enough for retirement and one in five face a retirement in poverty, according to the Pensions and Lifetime Savings Association.

Issues for the review to address include:

- Increasing minimum auto-enrolment contributions
- Closing the gender pensions gap that means women on average have pensions one-third the size of men's
- Reinforcing the drive for better outcomes through improved governance and consolidation

The pensions minister has a vital task

The new pensions minister will have a lot on their plate. For the pensions industry to meet the goals Labour has set, we need a committed minister who gets to grips with the issues and is there for the long term. Too often, the position of pensions minister is seen as a stepping-stone to a more high-profile role in government.

Making sure people have enough money to live on in retirement is a vitally important job. We hope Sir Keir appoints a minister who will work with the industry and stay in post to implement the review’s findings in the best interests of members and policyholders.

The Labour government has high expectations of UK pension schemes. To get the best outcomes we must work together in a spirit of partnership.

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