HYMANS # ROBERTSON

Sixty second summary

Keep Calm and Keir-y On

The Labour Party has won the UK's general election, by a landslide, making Sir Keir Starmer the country's new Prime Minister. With a majority in the House of Commons not far short of Tony Blair's in 1997, it has the heft to push through its agenda with confidence. So, what might it do on pensions issues, when, and what might the response be?

Pensions promises

The most obvious place to look for an indication of Labour's plans is in its election manifesto. There, it pledged that it would—

- take advantage of consolidation and scale to increase productive investment in UK markets by pension funds, and conduct a review to see what else could be done to improve outcomes
- end the '*injustice*' of the surplus arrangements for the Mineworkers' Pension Scheme (the Government guaranteed that members would get at least the benefits accrued up to the time of privatisation, increased in line with inflation, in return for which it would receive 50% of any surplus—an arrangement that has, with the benefit of hindsight, worked out quite nicely for the Treasury)
- oblige pension funds (and banks, asset managers, insurers and FTSE 100 companies) to develop and implement credible transition plans that align with the 1.5°C Paris Agreement climate goal
- retain the triple lock for the State pension, and
- establish a National Wealth Fund, capitalised with £7.3bn over the course of the next Parliament, with the aim of attracting 3x investment from the private sector.

Notably absent from the manifesto was any plan to reintroduce the lifetime allowance—or promise not to.

Getting up to speed & down to business

The day after the election, having been invited by King Charles III to form a government, Starmer began to establish his Cabinet. Notable appointments so far include Liz Kendall as Secretary of State for Work and Pensions, and Angela Rayner as Secretary of State for Levelling Up, Housing and Communities, the department with responsibility for the Local Government Pension Scheme (Rayner is also Deputy Prime Minister). The new Pensions Minister is Emma Reynolds, who has been given an intriguing dual role, being also a Parliamentary Secretary at His Majesty's Treasury.

The new Parliament will gather for the first time on 9 July, but the State Opening will not be held until the 17th day of the month. In the interim, it will be engaged in choosing the Speaker of the House of Commons and swearing in MPs. Another important task will be to establish the chairpersons and other members of the Parliamentary select committees (not the least of which, from our point of view, is the Work and Pensions Committee), although the process can take months. The King's Speech on the State Opening will reveal details of the new Government's legislative programme. It is likely to introduce the first bills to Parliament shortly thereafter.

Rachel Reeves, the new Chancellor of the Exchequer, said previously that, in the event of a Labour victory, her first Budget would be accompanied by a forecast from the Office for Budget Responsibility (OBR). Given that the OBR requires at least ten weeks' notice to compile such a forecast, and that the party-conference period is set to occupy much of September, it could be that the first convenient date for a Budget will be in early October. The date will be announced before the summer recess. Reeves has already told her new staff that, '*The central mission of this government will be to restore economic growth*' and that she wants it to be '*the most pro-growth Treasury in our country's history.*' In her first public speech as Chancellor, Reeves said that the Government would '*turn* [its] *attention to the pensions system, to drive investment in home-grown British business, and to deliver greater returns to pensions savers.*' There is to be an announcement on the National Wealth Fund soon.

Wish list

The roster of unfinished pensions business is lengthy. Given its manifesto promises and the Chancellor's comments noted above, we expect to find out more about Labour's plans to promote pensions investment in UK growth. Off-manifesto, there will be early questions about legislation to increase auto-enrolment coverage, adequacy of defined contribution pensions, permitting new types of collective money purchase scheme, amending the Pension Protection Fund (PPF) legislation so that it can cut (or suspend) its levies, and fixing the anomalies in the tax legislation since the abolition of the lifetime allowance. Plans for pensions dashboards need to be carried through to completion. The new Government might even get around, eventually, to back-burnered items like revising the Conditions for Transfer Regulations, and the introduction of new notifiable events for defined benefit (DB) schemes.

One early action that many in the pensions world will be hoping for is the activation of the Pensions Regulator's revised Code of Practice on DB scheme funding. Requiring to be laid before Parliament for 40 days, but with the clock stopping during adjournments lasting more than four days, there may not be time for its approval before funding reforms come into effect on 22 September 2024: it will depend on the decisions made about the length of the summer and party-conference recesses. Schemes with the earliest valuations will be hoping at least to see final details of the Code published over the summer.

The markets' reaction to the election result was very muted, confirming our anticipation that Labour's victory, widely predicted by opinion polls, had already been priced into UK assets. Looking ahead, the new Government will have to complete work that's already underway, but also address the key challenges of adequacy, sustainability and intergenerational fairness facing the industry and the millions of savers across the UK. The biggest trial is the rapidly emerging division between older generations with generous DB pensions and younger generations who will have inadequate DC incomes. We'll be watching eagerly for more details of the Labour's near-term plans and its intended review of retirement outcomes.

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