HYMANS # ROBERTSON

Autumn Budget 2026:

what could it mean for workplace pensions?

The Chancellor is due to deliver the Autumn Budget on 28 October 2026. With pressure on public finances, pensions, savings and personal tax are likely to be part of the debate again.

In this publication, we share our views on possible changes and what they could mean. We look at the impact on companies that offer defined contribution (DC) pension arrangements and on their savers. We also outline the actions employers may need to consider if any of the rumoured changes go ahead. The table below outlines the key areas to watch, what they could mean, and what employers should consider. Red, amber and green ratings indicate the potential impact on employers.

> ⚠ **Important!** The below possible Budget measures below are not confirmed. While employers, and employees should plan scenarios, we don't recommend making any knee jerk decisions which could be irreversible ahead of confirmed announcements.

The key areas to watch:

Possible change	
Increase to the Personal Allowance or a change to the £100,000 taper	**Likelihood:** **highly discussed in recent press**

What could it mean?	What should employers consider?
The Personal Allowance is the amount of income you can earn before paying Income Tax. The standard Personal Allowance for 2026/27 is £12,570, and has been frozen since 2021. It begins to taper by £1 for every £2 of adjusted net income above £100,000 and is fully lost at £125,140. This creates an effective 60% marginal income tax rate in England, Wales and Northern Ireland across that band. Often known as the 'tax trap'. The government may increase the Personal Allowance, which would reduce tax for many employees. Or the government may review the level at which the taper of the personal allowance starts, for example starting from a higher income than £100,000.	**Financial** • Costs are unlikely to increase for employers. • A higher allowance for employees would improve take-home pay. • The impact for those affected by the 60% tax trap will depend if the taper moves too. **Adequacy** • A tax saving creates an opportunity to increase pension saving without reducing current take-home pay compared with today. **Governance and communications** • Understanding tax and pension savings can be complex, particularly because of the way the two interact. • Employers could consider targeting communications at employees around the Personal Allowance taper.

Possible change

Reducing the cap on the Tax-Free Lump Sum

Likelihood:
often rumoured, but never enacted

What could it mean?

Currently, when a DC saver reaches the normal minimum pension age (currently 55), they can withdraw up to 25% of their pension pot tax-free, capped at £268,275, unless they have Lifetime Allowance (LTA) protection.

The government may look to reduce the level of tax-free cash that savers can take through a reduction in the overall cap (broadly affecting those with highest savings). This would mean retirees would pay tax on a larger portion of their pension withdrawals.

What should employers consider?

Financial

- Costs are unlikely to increase for employers.
- It's likely that any reduction in the cap would be accompanied by some form of protection. It would affect employees whose pension pots exceed the cap in the future, rather than those whose pots are already above it. Those with savings below the cap, typically lower earners, would not be impacted. However, if the cap is frozen, the proportion of savers affected by it will gradually increase over time.

Adequacy

- Even though taking a large tax-free lump sum at retirement doesn't do much for long-term income, it can help people pay off things like their mortgage. If there's less tax-free cash available, it might make it harder for savers to manage their money in retirement with outstanding debt.

Governance and communications

- Where investment strategies target 25% of assets at retirement in cash, such strategies may no longer be appropriate and should be reviewed, particularly for the those with larger pots.
- The government may introduce protections for individuals who already have savings of £1.073m and are planning to take the current maximum tax-free cash. You should consider how you support staff in applying for such protections.

Possible change

Implementation detail and possible further reform

Likelihood:
unlikely given salary sacrifice was only changed in last Budget

What could it mean?

In the 2025 Budget a £2,000 annual cap on employee pension contributions made through salary sacrifice was announced, and will become effective from 6th April 2029. This will mean contributions above the cap will attract National Insurance (NI) contributions.

The 2026 Budget may provide further detail on how the cap will be introduced, or adjust the approach, including reviewing the level at which to set the cap.

What should employers consider?

Financial

- Employers and affected employees could face higher NI costs from 2029 if the £2,000 cap remains.
- If the cap was reduced below £2,000, this could increase costs further.

Adequacy

- The current proposed cap may make pension saving feel less attractive, although pensions will retain income tax relief and employer contributions.

Governance and communications

- Model the workforce and employer cost based on expected cap. Review bonus sacrifice, matching structures, NI sharing and payroll capability. Keep messages clear that nothing is expected to change until 2029.

Further pension and wider saving changes

Possible options include changes to the Annual Allowance and tapered Annual Allowance. Others include possible NIC and tax changes affecting younger members, self employed, or pensioners in receipt of the State pension only. Beyond pensions, there is also speculation that ISA values could be capped. These ideas often feature before a Budget, but no new 2026 measure has been confirmed.

Beyond workplace pensions

State Pension and the triple lock

The State Pension triple lock is receiving renewed attention ahead of the Budget, with growing debate over whether it remains affordable and sustainable. However, our understanding is that there's currently no confirmed proposal to abolish or replace it in the 2026 Budget.

In the shorter term, there may be consideration of how the State Pension increases relative to the Personal Allowance, to avoid pensioners who receive only the State Pension being taxed on that income.

A longer-term review of the overall sustainability of the triple lock is more likely than an immediate removal. However, employers should look to understand possible future changes given the interaction any changes to state pension will have with employees need to build workplace pensions.

Longer term adequacy reform

The Second Pensions Commission has highlighted that 15 million working-age people are undersaving, with low and middle earners, women and the self-employed particularly affected. This creates a difficult backdrop for any Budget measure that reduces the incentive to save and may mean more responsibility to support savers will be put upon employers going forwards.

While any major automatic enrolment decisions are more likely to follow the Commission's final recommendations in spring or summer 2027 than appear in this Budget, we recommend that employers keep this in mind when considering their future pension policy and strategy.

Next steps

We recommend not making any changes until the Budget is announced. In the meantime:

- [ ] Review how you currently communicate pensions and retirement planning.
- [ ] Identify where staff may need extra support or clearer guidance.
- [ ] Keep an eye on our updates following the Budget.
- [ ] **Get in touch** if you'd like to discuss potential impacts in more detail.

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