

60-second summary

Spring Budget 2024—Pensions

The Chancellor of the Exchequer, Jeremy Hunt, presented a [Spring Budget](#) to Parliament on 6 March 2024. His pensions announcements were essentially limited to updates on his [Autumn Statement measures](#).

‘Value for money’ in DC funds

The Financial Conduct Authority (FCA) will begin consultation in the spring on the details of a new value-for-money (VFM) framework for Defined Contribution (DC) workplace pension schemes. The framework was the subject of a 2023 consultation exercise conducted jointly with the Pensions Regulator, which aired proposals designed to improve long-term outcomes for all DC schemes. The FCA’s spring consultation paper will cover plans for contract-based schemes to publicly disclose the asset allocations and historical net investment returns for their default funds. They will also have to compare their performance to that of other schemes, at least two of which must have assets in excess of £10 billion (this level is ‘expected to increase significantly over time’).

The [‘Red Book’ Budget report](#) says that the FCA and the Pensions Regulator will be given the powers necessary to apply the new VFM rules, for both occupational and contract-based arrangements, from 2027; those powers will include closure of under-performing schemes to new employers, and the ability to mandate winding up.

Investment

Local government pension scheme (LGPS) funds will be similarly obliged to disclose their asset allocations. They will also have to report on the progress of their pooling arrangements. These changes are to take effect from April 2024. The Government also says that it will work with LGPS authorities *‘to consider the role they could play in unlocking investment in new children’s homes.’*

The Government warns that it may take further steps if UK equity allocations do not increase as a response to the DC VFM and LGPS investment measures.

The Red Book also announces the successful applicants in the Government’s ‘LIFTS’ initiative, which seeks to create new vehicles for investment in UK science and technology companies. The winners are Schroders and Intermediate Capital Group, with capital from Phoenix Group.

Automatic transfer of small DC pots

The Government says that it *‘remains committed to exploring’* the idea of a ‘lifetime provider’ (AKA ‘pot for life’) model for limiting the proliferation of small DC pension pots that is occurring as a consequence of automatic enrolment. This follows generally negative responses to [proposals aired in November 2023](#).

Other news

The main rate of employee National Insurance Contributions will be cut again, from 10% to 8%, with effect from 6 April 2024. It had already reduced from 12% to 10%, in January 2024, following the Autumn Statement.

Savers will be able to invest £5,000 a year into a new 'UK ISA'. This is addition to the existing £20,000 per annum ISA allowance.

The Chancellor has renewed the Government's commitment to continuing the 'triple lock' arrangement for increases to basic and new State pensions in payment.

There's potential friction between the Chancellor's Mansion House aspirations to increase investment in UK assets and the interests of scheme members. If the investment case stacks up, schemes will invest in the UK; many would argue, however, that the case for significant investment is not currently compelling.

It's right that the Government should continue to explore the arguments for 'pots for life'. However, we think that it ought to give scheme-consolidation nudges and pensions dashboards a chance to have impacts before making any policy decisions.

The ability to save more via ISAs is to be welcomed, but the new UK ISA might tempt savers to overlook a cardinal adage: don't put all your eggs in one basket. Without financial advice, there's a danger that savers will suffer through concentrating their risk in one geographical area.

The additional reduction in the employee NICs rate will boost take-home pay, but will further erode the attraction of salary sacrifice as a method of making pensions contributions.