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Reeves to Launch Review of Workplace Pension Contributions

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Chancellor Rachel Reeves is set to announce a comprehensive review of workplace pension contributions in her mansion House speech on July 15. The review will be led by a newly appointed commission and will assess whether retirement savings from both employees and employers are sufficient.

The initiative, first promised in July 2024, was delayed after backlash to a £25 billion National Insurance increase in the autumn Budget. It will examine current auto-enrolment standards, where employees contribute at least 8% of qualifying income and employers a minimum of 3%, alongside the adequacy of the state pension and pension provisions for the self-employed. Although Reeves affirmed there would be no immediate rise in auto-enrolment rates during this parliament, the commission may recommend gradual changes over the longer term.

Preliminary data from the Institute for Fiscal Studies suggests that nearly 40% of private sector employees are on track to retire with insufficient income. Alarmingly, even middle- and higher-income earners risk failing to meet established “target replacement” income levels. Among the self-employed, up to two-thirds may fall below retirement income thresholds set by Pensions UK, defined as at least £13,400 annually, or £21,600 for couples.

The review will also scrutinise the current state pension, which under the triple-lock rises annually by the higher of inflation, average earnings growth, or 2.5%, and currently stands at £11,973 per year. Despite past criticism from Pensions Minister Torsten Bell, who previously called the triple-lock “not a sensible mechanism,” the government has committed to preserving the policy for now.

Reeves has highlighted the importance of redirecting pension investments into productive sectors of the UK economy, reinforcing objectives set out in last year’s reform agenda. The commission will be asked to consider how pension funds could support economic growth while enhancing retirement outcomes.

Any changes arising from the review are likely to take time to implement. Reeves emphasized the need for stability and warned against imposing new burdens on businesses, especially after recent tax and National Insurance hikes. The Treasury indicated that any adjustments would be phased in over a realistic timetable.

Supporters of reform believe the review offers an opportunity to close retirement gaps, particularly for younger workers and the self-employed, who have traditionally been under-supported. Critics warn that without decisive action; a growing proportion of the UK workforce may face financial insecurity in retirement.