

## Ros Altmann: Reeves could derail AE success with NI pension plans

Pension campaigner and former minister Baroness Ros Altmann urges the chancellor not to impose NI on pension contributions, particularly if this only applies to private sector schemes

by **Emma Simon** — October 23, 2024



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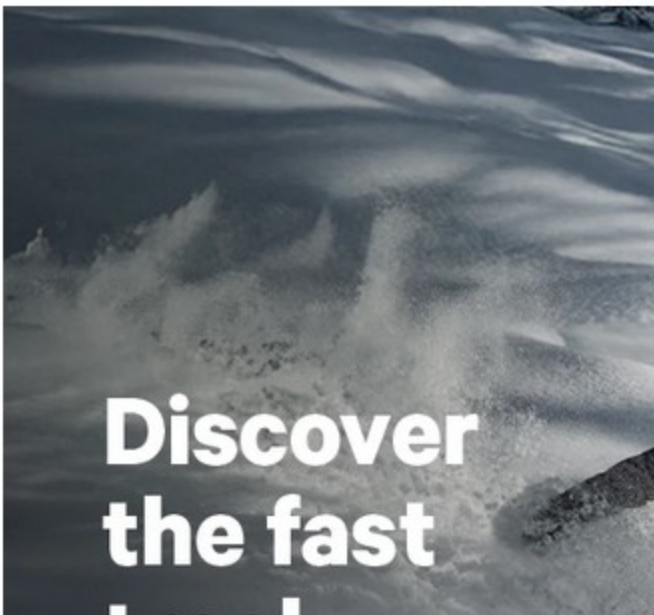


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There have been strong hints that the Chancellor wants to abolish National Insurance relief for employer pension contributions in next week's Budget – with the latest rumour being that this this might only apply to private sector schemes.

This would create havoc for auto-enrolment, and seems entirely unjustifiable.

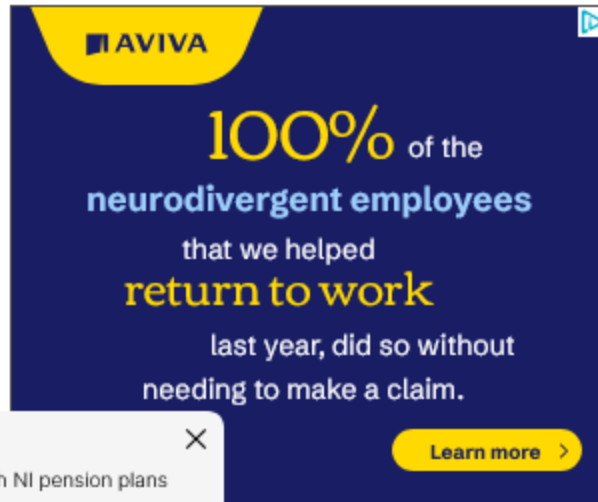
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If public sector schemes can't cope with ending this relief, it is a clear indication that private sector schemes will struggle and this change should not happen at all.

Imposing National Insurance on pension contributions sounds attractive in theory, certainly in terms of the money it might raise for the Exchequer, but in practice it would be a nightmare.

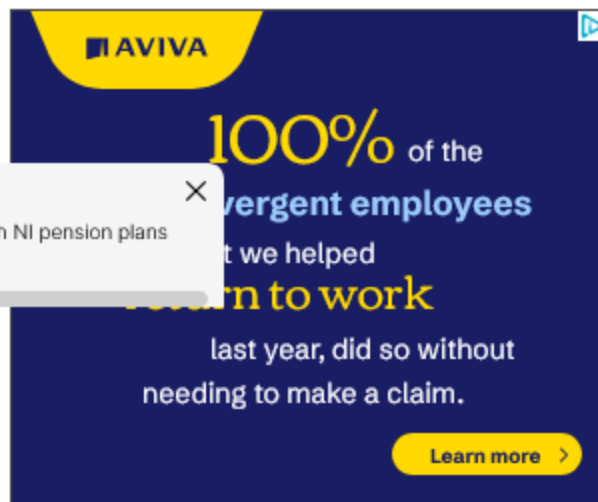


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All auto-enrolment salary sacrifice arrangements would need to be adjusted and I strongly advise the Chancellor against this as the costs of administration and impact on workers' take home pay seems to have been inadequately appreciated.

Such a radical change to a policy which has been embedded in pension schemes for years cannot happen at a stroke. Any such major change to pension contribution rules, would require significant and lengthy consultation, as well as significant lead times to get the administration in place and to ensure workers do not suffer cuts in take home pay and pension contributions as a result of ending salary sacrifice arrangements.



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Many employers and workers have reached special agreements to accommodate the reliefs given on pension contributions. Workers' salaries have been renegotiated or adjusted to take account of this relief. The complexity and time taken to make the necessary changes should not be underestimated.

This is an ill-advised policy, even more so if it is only applied to private sector employers. Exempting public sector schemes, by forcing all taxpayers to pay the employer NI contributions for what are already hugely generous pension arrangements, is patently unfair on private sector employers and workers and

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pe, private sector employers will struggle too and it will be workers whole ultimately lose out, as this may lead to some employers scaling back on pension contributions. This change could derail the success of auto-enrolment, cause chaos for employers with salary sacrifice arrangement, and create further complications when it comes to pension administration, due to excessively complex pension rules.

If the public sector can't afford higher NI contributions it's a clear indication this change should not be imposed at all.