Hewlett Packard Limited
Retirement Benefits Plan

Budget 2026 – What might it mean for you and your pension?

The Chancellor delivered his Budget on 28 October 2026. It contained several measures affecting pensions. Some of these were confirmation of previous announcements, while some were new developments. Here we cover some of the main points:

The State Pension

From April 2027, the full, yearly new State Pension will rise from £12,547 to £13,036.

Traditionally, rises in the State Pension are determined by a system called the 'triple lock'. This increases the State Pension annually by whichever is higher of:

- Inflation (measured by the Consumer Prices Index (CPI))
- Average earnings growth
- 2.5%

From 2030, the government has signalled it will reform this system, so the new State Pension will rise by the rate of CPI inflation or by 2.5%, whichever is higher. This will be combined with a cumulative long-term adjustment to keep pace with average wages over time, rather than matching every single annual wage spike immediately.

Income tax allowance for people of State Pension age

From April 2027, a new **pension tax allowance** will come into force, and remain in place until April 2030. Its aim is to ensure people of State Pension age, with annual incomes up to £13,036, pay no income tax. Those earning slightly more may also benefit from reduced tax as the allowance will taper away rather than being removed entirely. The intention is for HMRC to apply this automatically.

The lump sum and death benefit allowance

This is the limit on tax-free pension lump sums paid during your lifetime or following your death. The allowance **isn't** changing and stays at £1,073,100. **However:**

Previously, after you passed away, any lump sum death benefits **not** paid to your beneficiaries within two years of the Plan's Trustee (or the trustee/administrator of any other scheme you belong to) becoming aware of your death, would lose their tax-free status. In his Budget, the Chancellor announced the removal of this two-year rule, effective for payments made on or after 28 October 2026.

Please bear in mind that other conditions for tax treatment still apply. These include your age at death and your available lump sum and death benefit allowance.

Serious ill health lump sums

If you were diagnosed with a condition that meant you had less than a year to live, you would usually be able to access your pension, even where you are below the normal minimum pension age. (That's currently 55 but will rise to age 58 in April 2028.)

To be able to access your pension in these circumstances, a registered medical professional would have to declare that you were "expected to live for less than one year." The wording of the requirement will be changing to a declaration "that death can reasonably be expected within 12 months".

While the wording change is subtle, it is expected to give medical professionals greater flexibility and help remove an unnecessary barrier for people at a hugely challenging time.

Furthermore, whereas this declaration and evidence currently have to come from a medical professional who's registered in the UK, the government plans to allow overseas-registered medical practitioners to provide this evidence in the future.

The annual allowance isn't changing

This allowance limits how much people can pay into or build up across all their pension arrangements in each tax year, while receiving tax relief. This amount **isn't** changing. The annual allowance for most people is £60,000 (although lower limits may apply in certain circumstances).

No change to the amount of tax-free cash you can take from your pension when you retire

Rules regarding the 25% tax-free pension lump sum remain unchanged, keeping the standard **lump sum allowance** capped at £268,275.

How will the Budget affect me and my pension personally?

Please remember that neither Trafalgar House Pensions Administration nor the Plan's Trustee can give you advice.

For free guidance on a wide range of money-related topics (including pensions), please refer to the government-backed MoneyHelper service. You can reach them by going to **www.moneyhelper.org.uk** or by calling **0800 011 3797**.

If you would like advice tailored to you and your circumstances, you will need to speak to a qualified financial adviser. You can find one who is authorised by the Financial Conduct Authority by going to **www.unbiased.co.uk**

If you have any questions about tax, you will need to speak to HMRC directly. Please note, we're not able to speak to HMRC on your behalf. You can call them on **0300 200 3300**.

For more information about tax and pensions, please go to **www.gov.uk/tax-on-pension**