Parliamentary Briefing

The triple lock and the state pension

September 2021

The Government have decided to suspend the triple lock for one year because increases in average earnings due to the pandemic would have resulted in the State Pension receiving an unusually high uprating of around 8% in April 2022. In the context of public finances having been impacted by COVID-19, this suspension is an understandable decision.

However, Age UK believes that it is imperative the triple lock is immediately reinstated next year in order to maintain the value of the state pension over time to help current and future pensioners on low and modest incomes.

Background

The triple lock is an uprating mechanism that was introduced by the Coalition Government in 2010 in recognition that the real value of the basic State Pension had fallen over many years. It raises the State Pension annually in line with the highest of increases in prices, average earnings or 2.5%. It applies to the new State Pension for post-April 2016 pensioners, and the basic State Pension for older pensioners.

This year rises in average earnings are unusually high, at around 8%, due to lockdown causing a drop in average earnings followed by recovery. The Bill sets aside the earnings link for 2022-23 and replaces it by a link to price rises or 2.5% whichever is higher.

Age UK's position

The suspension of the triple lock must be for this year only. Age UK remains a strong supporter of the triple lock because it sustains and, in some years, increases the relative value of the State Pension, protecting the incomes of current and future pensioners.

The State Pension is the largest single source of income for most pensioners. However, too many older people do not receive enough through their State Pension to live decently in retirement. While the full weekly Basic State Pension is currently £137.60 a week and the new full State Pension is £179.60, individuals may receive more or less than these amounts. The average weekly payment for those receiving the pension under the old system is £153.49 a week, and for those on the New State Pension it is £164.02. The average yearly payment in Great Britain is still less than £9,000 a year, and some pensioners receive far less.

2.1 million pensioners (18%) currently live-in poverty, and this number has been gradually increasing in recent years. Nearly a quarter (23%) rely on means-tested benefits to top up their income and many others are entitled to, but not receiving, benefits that are due to them. Nearly a million pensioners who should be getting Pension Credit are missing out.

It's also important to note that, in some respects, any changes to the triple lock will hit the future retirement income of younger people the hardest. Research by the independent Pensions Policy Institute has shown that without the triple lock it will be harder for younger workers on low incomes to achieve an adequate income in retirement.

Age UK wants to see:

- **The immediate commitment to the triple lock next year and beyond is vital to protecting the value of the State Pension and preventing low-income pensioners falling further into poverty.**

- People should be able to achieve an adequate income in later life through state and private provision. State Pensions should minimise reliance on means-tested top-ups and provide a secure platform on which to build private savings.

- The position of those pre-2016 pensioners who have low incomes should not be forgotten. The Government should consider how they can be brought into the new State Pension where this will benefit them, with no loss of current rights.

- Regular reviews to inform State Pension age should take into account differences in life expectancy and healthy life expectancy between different groups, as well as employment opportunities. There must be sufficient notice of any future changes to enable people to make alternative plans.

- There should be early access to the State Pension for those within three years of their State Pension age and who are unlikely to be able to work again due to caring responsibilities, a disability, or long-term unemployment. In addition, the age of eligibility for pensioner benefits such as Pension Credit should be lowered.

Older people have told us

We regularly hear from older people who struggle to get by on their State Pensions and would be badly impacted were the value of their pensions to fall.

Maureen: *"The pension goes up by pennies and bills go up by pounds, so the money in my pocket is getting less and less."*

Richard: *"I live hand to mouth every month. My pension barely covers my day-to-day expenses. Our mortgage has already been converted to interest only and I worry about debt all the time."*

Albert: *"I have to choose between eating and staying warm for some hours of the day. I forego social life in order not to fall behind with essential bills, I can't go out for coffee with someone unless I skip lunch. At present, I'm trying to save up for the TV licence. That is a luxury, admittedly. A substantial increase in the £9,035 on which pensioners are supposed to keep themselves and their homes in a decent state of repair is essential."*

Get in touch with us

If you have any questions or would like to meet to discuss how we can work together please contact Roshni Mistry, Senior Public Affairs Officer, at roshni.mistry@ageuk.org.uk or on 07887736346.