Parliamentary Briefing

The triple lock and the State Pension

October 2023

Age UK's Position

Age UK has been concerned by media reports suggesting that the Government is considering not reflecting the total increase in earnings of 8.5% in the payments that pensioners actually receive under the Triple Lock.

The State Pension was put in place to ensure older people had sufficient income to cover the basic needs in later life yet, too many are struggling to afford a decent standard of living at the moment. **One in six pensioners live in relative poverty in the UK, and nearer to one in five women pensioners[i].**

We are very clear from all our contacts with older people in this position through our local Age UKs and our information and advice services that making ends meet is often a daily struggle for them. In their situation every penny counts, and that's why we believe **it is both important and necessary that pensioners receive the full 8.5% rise from next Spring, not a lower amount.**

The State Pension is the largest single source of income for most pensioners. Knowing that they will receive an 8.5% rise in their State Pension come the Spring will, we hope, give financially hard-pressed pensioners the confidence to keep their heating on when it gets cold over the next few months, helping them to stay warm and well. This matters hugely to them - as it also does to the NHS.

We know that many older people were pleased and profoundly relieved when they heard the Prime Minister say a few weeks ago that the Government will honour its commitment to activate the Triple Lock next April. **We urge the Government to stick to its promise and not water down the Triple Lock.**

Most older people rely heavily on their State Pension

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. The full weekly Basic State Pension is currently £156.20 a week (£8,120 a year) and the new full State Pension is £203.80 (£10,600 a year). Individuals may receive more or less than these amounts, however, most get less than the full new State Pension.

In February 2023, the average annual State Pension received was 8,640 (£8058 for pre-2016 pensioners and £9022 for those in the new system).[ii] Even taking into account a 10.1% increase in April, this is only around £9,500 a year, whereas the Pensions and Lifetime Savings Association's work on Retirement Living Standards finds the cost of a 'minimum' lifestyle is now £12,800 a year.

2.1 million pensioners (18%) currently live-in poverty, and this number has been gradually increasing in recent years.[iii] Over a fifth (21%) 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[iv].

With their financial resilience chipped away many older people are incredibly worried about the winter ahead and are already struggling to cope. Those on very low fixed incomes are among the worst affected. However, we are also very concerned about those whose incomes take them just above the threshold to qualify for additional support and those incur high costs due to disability and chronic ill health.

How the Triple Lock works

The Triple Lock is an uprating mechanism that was introduced by the Coalition Government, and first used in 2012-13, 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 (but not to other elements of State Pension such as the additional State Pension which many older pensioners receive).

The price element of the Triple Lock is based on price increases in the 12 months to September as measured by the Consumer Prices Index (CPI), and this is also the measure of price inflation used for other elements of the State Pension and many social security benefits. The earnings element of the triple lock is based on rises in average earnings in the year to July.

However, two years ago the Government passed legislation to abandon the earnings element of the Triple Lock in April 2022-23 on the grounds that the over 8% increase in July's average earnings was unusually high due to a 'covid-related distortion'. Instead, the State Pension rose by just 3.1%, in line with price rises to September 2021. However, by April 2022, inflation was 9% and this continued to rise to 11% meaning those dependent on the State Pension and benefits faced a very difficult year. It was therefore a great relief to many when the Government reinstated the Triple Lock and increased State Pensions by 10.1%, in April 2023 based on inflation in the year to September 2022.

The Triple Lock beyond this Parliament

The State Pension continues to be essential for older people on low and modest incomes, and there is still some way to go until the State Pension reaches an adequate level. Age UK therefore 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 Triple Lock needs to remain in place this Parliament and beyond.

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.

Age UK would like to see:

- The Government sticking to its promise to abide by the Triple Lock, with no watering down of the standard uprating measures.

- Age UK believes that pensioners should receive the full benefit of the Triple Lock for the rest of the Parliament and that all parties should commit to the policy in future years to maintain and, in some years improve, the value of the State Pension over time to help current and future pensioners on low and modest incomes.

Older people have told us

“Very worried about next winter as we will not get the monthly help from the government though I will qualify for the pensioner £300. I have nothing else to cut back on except food. Already do not go out except for local walks” – Asked to be anonymous

“My wife and I do not look forward to another winter with high fuel bills. We have savings but they are being eroded by the cost of living, so we have started to make choices instead of living a comfortable retirement after 50 years plus working and paying taxes and NI.” – Paul, 73

“Everything increasing in price in addition to energy costs. The increase in state pension has helped but because they only gave us 3.1% increase last year, this year’s increase still does not cover all increased costs so savings being used to pay shortfall regularly. As it is I don’t use the oven or tumble dryer, only use the shower for shortest time possible & eat as economically as possible. What would the government suggest we do next? - Asked to be anonymous

“Bills just keep growing while income is largely static. Thank God for the triple lock on state pensions.” – Graham.

“My husband had a stroke in September 2020 and now feels the cold terribly. We paid £336 per month last Autumn/Winter due to our high usage and with food prices going up as well we have had to cut down on what we buy. Before the energy price hikes, we paid about £150 per month. We have just about managed to keep our heads above water but the Government rise in State Pension has already been swallowed up by council tax increases, water bill increases etc etc.” - Elizabeth, 69.

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.

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[i] Households below average income: for financial years ending 1995 to 2022, DWP 2023
[ii] [ii] https://www.gov.uk/government/statistics/dwp-benefits-statistics-august-2023/dwp-benefits-statistics-august-2023#pensions
[iii] https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2022 Table 6.3tr
[iv] 'https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2021-to-2022 Table 3.5