

Politics

Sunak Hints U.K. Government May Drop Pensions Triple Lock

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- ▶ Decision on pensions rise will be guided by ‘fairness:’ Sunak
 - ▶ Electoral pledge could mean 8% pensions rise due to earnings
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Chancellor of the Exchequer Rishi Sunak hinted he may abandon the U.K. government’s “triple lock” pledge on pension increases, saying his decision will be guided by “fairness.”

The election manifesto promise means the state-funded pensions rise every year by the highest of three measures: annual growth in average earnings, inflation, or 2.5%.

But the pandemic has led to volatile data, with earnings plunging last year because of the effect of millions of workers going on furlough, and rebounding strongly this year.

Average earnings rose by 5.6% in the three months to April, and the Office for Budget Responsibility has said the risk is “high” that the figure reaches as much as 8% in the three months through July, the period that determines how much pensions go up next year.

Each percentage point increase in pensions adds about 900 million pounds (\$1.2 billion) to annual spending. That puts Sunak in a quandary: whether to abandon an electoral promise and opt for a lower rise in the state pension, or whether to swallow a sizable increase to government spending.

“I do recognize people’s concerns on this, I think they are completely legitimate and fair concerns to raise,” Sunak told the BBC on Thursday. “Our approach to these things will be

driven by fairness. Fairness both to pensioners and for taxpayers.”

The OBR in March estimated the government would have to raise pensions by 4.6% next year because of surging wages. An extra 3.4 percentage points would increase annual spending on pensions by about 3 billion pounds.

Options available to the chancellor include ignoring this year’s earnings data altogether and raising pensions by the higher of inflation or 2.5%, or looking at the 2-year change in earnings, to smooth over the effect of their fall and then rise.

U.K. Prime Minister Boris Johnson, in a pooled television clip, was asked about the so-called triple lock: “I think we need fairness for pensioners and taxpayers. Let’s wait and see what the chancellor says.”

In a round of broadcast interviews on Thursday morning, Sunak also:

Told Times Radio that he and Johnson are “on exactly the same page” when it comes to managing public expenditure and that “we go through these things together”

Told LBC the 20 pound a week increase in Universal Credit “will end because it was always meant to be temporary”

Told BBC Radio’s ‘Today’ program that the England soccer team’s run to the final in this year’s European Championship “can have an impact” on a services-oriented economy such as the U.K.

Told multiple broadcasters that Health Secretary Sajid Javid is taking advice on the National Health Service Covid app because of concerns too many people are having to self-isolate after being alerted they’ve been near someone with the virus

(Adds Johnson’s comment.)

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