

# Top five reasons why the pensions triple lock has to stay

[Esther Shaw](#) Tue, 31 August 2021, 10:00 PM



UK chancellor Rishi Sunak amid reports the government is considering scrapping the pensions triple lock. Photo: Glyn Kirk/AFP via Getty

Savers are growing increasingly concerned about the security of their retirement income amid reports the government is considering scrapping the triple lock.

This guarantee sets out that the state pension must rise in line with either inflation, earnings or 2.5% — whichever measurement is higher.

The triple lock is facing a major threat because wages are now the highest of the three — jumping 8.8%.

Earnings data has been artificially boosted by the millions of people returning to work after being placed on furlough.

While the government is committed to maintaining the triple lock in its manifesto, no-one could have predicted the 18 months we've just experienced. If the state pension is pushed up by around 8% next year, this will put huge pressure on public finances at a time when the Treasury is staring down a fiscal black hole.

Many are calling for the triple lock to remain — new research from insurance company, Canada Life, found that almost half of UK adults (46%) believe the state pension triple lock should stay as it is.

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However, findings also show over 50s are much more likely to want to keep the existing guarantee compared to under 50s.

Any downgrade to the pledge would anger millions of older voters who are only just scraping by in retirement. Backtracking on the promise would also cause people to lose faith in the chancellor.

Here, pension experts share their thoughts on why they believe the triple lock must remain.

### **The UK state pension is low**

Former pensions minister, Ros Altmann, points out that the UK already has the lowest state pension in the developed world, according to the Organisation for Economic Co-operation and Development (OECD).

She said: “Even after 10 years of triple lock uprating, both the basic state pension and the new state pension are still below the level they were at in 1979 relative to earnings.”

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This is a view shared by Tom Selby, financial analyst from investment platform, AJ Bell: “Many would argue the UK state pension is too low. The full flat-rate state pension pays £179.60 (\$247.27) a week in 2021 / 22, equivalent to £9,399.20 per year. That represents about a third of the average UK salary — a much lower ‘replacement rate’ than many developed countries.

“In Austria, Turkey and Portugal, for example, the state pension replaces around 90% of income, while the average replacement rate across OECD economies is roughly 60%. By this measure, our state pension system is a poor relation in comparison, and the triple lock is the government’s mechanism to try and make up some of this lost ground.”

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**To help avoid pensioner poverty**

There are concerns that even with the triple lock in place, pensioners won’t have enough for a minimum standard of living in retirement.

Becky O’Connor, head of pensions and savings at investment platform Interactive Investor, said: “Currently, this guarantee is the only protection we have — from inflation of all kinds. Without protection against rising prices and wages, pensioner income would fall behind. There would be more pensioners living in poverty.”

**Pensioners don’t have other options to boost their earnings**

Unlike the working age population, pensioners don't have options such as "side hustles" or higher-paid roles that can boost their earnings.

O'Connor said: "Their only options are whatever private pensions or investments they have amassed — and the state pension. Comparing the rises in pensioner benefits with lower rises in worker benefits is not like for like — in theory, the working age population has more options to boost their own earning power. Pensioners need a state pension that continues to rise in real terms."

### **Today's young people will suffer if it is scrapped**

Pitting the benefits received by younger workers against pensioners and calling this an intergenerational issue forgets that everyone will benefit from a state pension one day.

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Selby said: "Intergenerational fairness is often put forward as an argument against the triple lock. But if this guarantee is kept, then all generations would benefit from a bigger state pension when they come to retirement."

O'Connor added: "Scrap it now, and it's tomorrow's pensioners — today's workers — who will suffer the consequences. They will all need to build up much higher pension provision to compensate, and many are already stretched by their contributions."

### **Many women rely on it**

Millions of pensioners — and women, in particular — rely almost entirely on the state pension through retirement.

Altmann said: "The low UK state pension is meant to be low, with the

intention of an extra earnings-related pension on top, normally supplied by an employer or private savings. However, most women do not have private pensions, and many low-paid workers — or those who were self-employed — have little or no pensions other than the state pension.”

### **Is there a compromise?**

Many feel it's not a black and white argument, and that there are options to amend the triple lock, rather than scrap it entirely.

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Ian Browne, pensions expert at investment group Quilter, said: “One way to achieve fairness is by temporarily tweaking the triple lock this year by moving to a three-year rolling average for wage growth — in order to smooth the temporary spike caused by the end of the furlough scheme. Using this amended earnings growth figure would increase the state pension by 3.9% next year and save the Government £4.5 billion, while maintaining a degree of intergenerational fairness.”

O'Connor added: “There's an option, for example, to make it a double lock, by removing the 2.5% element of the guarantee, or by smoothing out earnings figures over a number of years to account for anomalies, such as post-pandemic wage growth. It's not all or bust. Creating a false dichotomy means the triple lock could end up being scrapped unnecessarily when what's needed could be far less draconian.”

### **Watch: When should I start paying into a pension?**