State pension looks set to rise but 500,000 will miss out

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Due to abnormally high average earnings growth figures, the state pension was on course for a rise of more than eight percent under the triple lock policy - prompting the Government to make an adjustment for one year, reports The Express,

However, pensioners will still get some extra cash from next April.

The official rate of state pension increase will be revealed with next month's inflation figure, but with the current rate of inflation sitting at 3.2 percent, retirees could pick up an extra £5.75 per week.

For those receiving only the basic state pension, a 3.2 percent inflation rate would mean a £4.40 per week bump.

Some Britons will miss out on the extra money though, as their state pension payments remain frozen.

Over half a million retirees who have moved abroad since their retirement have seen the value of their pension stall.

Over 520,000 British pensioners have lost out according to the campaign group End Frozen Pensions, costing those impacted up to £61.75 each week, or a staggering £3,211 over the course of a year.

End Frozen Pensions told the story of 95-year-old Anne, who left the UK for Canada at the age of 76 after serving in the Second World War and paying her National Insurance in full.

Anne's pension has remained frozen at just £72.50 a week, while it would have been £134.25 if she had stayed in the UK. As her pension does not increase with inflation, she loses money in real terms every year.

With the state pension now set to increase by even more, those who are frozen in place will once again feel the impact as they lose yet more value compared to pensioners who stayed in the UK.

Despite the expected increase to state pension, retirees still could have received more of a boost had the triple lock not been scrapped for next year. Under the policy, pensioners looked set to benefit from an increase to their weekly income of more than eight percent.

At eight percent, pensioners in the UK would have received up to an extra £747.14 per year, or £14.37 each week, taking their yearly earnings from £9,339.20 to £10,086.34. The increase would have been more than double the 3.2 percent they currently look set for.

The state pension triple lock ensured that the value of state pension increased each year by the higher of three figures, average earnings growth, 2.5 percent, or inflation. This was done in order to help Britain's retirees maintain their spending power year after year.

However, the Government decided to suspend the triple lock for the 2022/23 tax year by ignoring the average earnings growth element of the policy, breaking a manifesto pledge from the 2019 election in which they promised to honour the triple lock.

State pension will now increase by the higher of the two remaining elements of the triple lock, which are 2.5 percent or inflation, meaning pensioners will miss out on what could have been a huge increase to their income.

The change to the state pension triple lock was announced in Parliament last week by the Secretary of State for Work and Pensions, Therese Coffey, who stressed that the alteration is temporary and only for next year.

Work and Pensions Secretary Therese Coffey (Image: Aaron Chown/PA Wire)

Dr Coffey referenced an “irregular statistical spike in earnings” as the reason for the suspension of the triple lock, with the average earnings growth element being circumvented to ensure that pensioners do not “unfairly benefit from a statistical anomaly".

The rate of inflation had fallen to two percent for the year to July, which is in line with the Bank of England's target. The previous figure of 2.5 percent to June represented a three-year high, but was smashed this week when a 3.2 inflation rate was announced for the year to August, the highest rate of inflation since 2012.

The news of such a high rate of inflation will have been some welcome good news for pensioners, who on top of learning that their pension would not increase by as much as they thought, were dealt another blow when it was announced that those still in work past retirement age would have to contribute to the 1.25 percent National Insurance increase.

This will take more money out of the pockets of people over state retirement age, as they are made to help foot the bill for Prime Minister Boris Johnson's Health and Social Care Levy, with the 1.25 percent increase kicking in from April 2022.

Under the plans, no one in the UK will be made to pay more than £86,000 for care costs in their lifetime, while people with assets of less than £20,000 will see their care costs fully covered by the state.

The plans will also benefit those with assets of between £20,000 and £100,000, who will receive some support from the Government while also being expected to partially contribute to their own care costs.

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