Retirees in line for £2,000 state pension windfall

Inflation means the Treasury’s 'triple lock' bill is on track to soar by £24bn before 2024

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Retirees are on track to receive consecutive 10pc state pension increases as high inflation is now forecast to remain in double-digits for most of next year.

Pensioners could receive a record £2,052 boost in the state pension over the next two years, as high inflation is expected to deliver back-to-back double digit increases under the Government's triple lock promise.

It means the Treasury’s state pension bill would soar by £24bn before 2024, with the Bank of England predicting that inflation will remain at “very elevated levels” next year, according to calculations by AJ Bell.

The state pension will rise next April by this September’s figure for inflation, which is expected to top 10pc. However, forecasts of sustained high price rises in 2023 mean that the state pension could be in for another 10pc increase the following year if inflation is still running in double-digits in the following September.

Spiralling price rises could push the weekly stipend on the new state pension from £185.15 to £203.79 in April 2023 and then to £224.10 in April 2024. This represents a jump of nearly £40 a week for more than 12 million pensioners.

However, the historic increase could put pressure on Treasury coffers as each percentage point increase in the state pension costs up to £1.2bn, according to calculations by AJ Bell using figures from the Office for Budget Responsibility.

In total, the state pensions triple lock, which ensures payments rise by inflation, wage growth or 2.5pc, could cost taxpayers an additional £24bn in the next two years.

Tom Selby, of AJ Bell, said that any deviation from the triple lock would be "political suicide" for either of the two runners in the race to replace Boris Johnson.

"It will be costly but the triple lock is a totem for doing right by older people and so no politician will want to break it because the reality is that they will need votes," he said.

Sir Steve Webb, former pensions minister and now partner at consultancy LCP, said the state pension could "easily" rise by 10pc twice over the next two years.

"It will be costly for the Treasury but high inflation and frozen tax thresholds have meant that it will take in an awful lot more from workers than expected," he said. "The people paying for it are going to be those who are of working age."

Steven Cameron of Aegon, the pensions company, warned that the triple lock could lead to generational inequalities between workers and pensioners. Workers' wages may not rise as quickly as they have no guarantees in place but their National Insurance contributions could be used to pay for state pensions, he said.

"Moving to a formula which averages inflation and wage growth over a three-year period would still protect pensioners, but would average out the peaks and troughs, and arguably create a fairer and more predictable outcome for all concerned," he said.