

Rising cost of State Pension could see UK Government 'break or at least adjust' Triple Lock

Wage growth is now higher than inflation and could see the State Pension rise by nearly 8% next year.

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The Triple Lock guarantee will determine the level of uprating to be applied to the [State Pension](#) for the 2024/25 financial year and pays the highest between September's Consumer Price Index (CPI) inflation rate, earnings growth, or 2.5 per cent.

All eyes have been firmly fixed on the [CPI inflation rate](#) as being the most-likely driving factor behind the April 2024 uprating - it was 6.8 per cent for the 12-months leading up to August. However, from April to June 2023, annual growth in employees' average total pay (excluding bonuses) was 7.8 per cent (8.2% including bonuses).

The earnings growth figure used for the [Triple Lock](#) is based on the year-on-year increase for the period May to July, which is published mid-September. The September CPI inflation figure will be published in mid-October and if the earnings growth figure stays at 7.8 per cent, this guarantees State Pensioners an 7.8 per cent rise next April - even if inflation continues to fall.

A decline in gas and electricity prices was the biggest contributor to the fall in CPI inflation, while food prices continued to rise, but by less than a year earlier.

However, Becky O'Connor, Director of Public Affairs at [PensionBee](#), warns that while it looks likely that State Pensions will rise in line with earnings

rather than inflation, she also said that the mounting annual bill for the State Pension could put the UK Government under pressure to “break or at least adjust the Triple Lock”.

Prime Minister Rishi Sunak confirmed to ITV earlier this month that the Triple Lock will remain in place until the end of the decade, but in what form? With a general election expected to be called next year, it’s unlikely for the Conservative Party to make changes that could unsettle voters.

Ms O’Connor said: “It now looks likely that the State Pension could rise in line with earnings rather than inflation next April, as the Triple Lock dictates that it increases with whichever is the highest of earnings, inflation or 2.5 per cent. As scrutiny increases on the cost of the State Pension to the public purse, the UK Government will be under pressure to break or at least adjust the triple lock.

“The UK Government broke the Triple Lock in the wake of the pandemic when earnings growth soared above 8 per cent that year, so there is precedent for a change on the basis of data that seems too high. However breaking a promise on pensioner incomes now would be enormously unpopular.

“The State Pension is a vital part of retirement income and removing guarantees now could worsen the outlook for today’s workers when they come to retire.”

The latest expenditure figures from the Department for Work and Pensions (DWP) show that the State Pension cost the UK Government an estimated £112.5 billion to deliver in 2022/23 and is forecast to rise to £139.5bn in 2027/28.

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Pension saving implications

Ms O'Connor also explained how lower inflation is good news for savers trying to grow and preserve the value of their pension pots.

She said: "Higher prices have been quickly eroding the value of people's life

savings and making it harder to retire for many, as what they had built up suddenly doesn't seem like it will be enough to last through retirement.

"Greater price stability will be particularly welcomed by those planning retirement, who may feel more secure about their future retirement income, in a more stable economic environment."

PensionBee has an inflation calculator which enables people to see the impact of inflation on their pension savings, you can try it out [here](#).

Estimated State Pension payments from April 2024

The estimated calculations show the current annual rates for the full New and Basic State Pensions. How much someone receives depends on the number of years worth of National Insurance contributions, around 35 is needed for the full New State Pension, but this may be more if you were contracted out - find out more [here](#).

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Current Annual Full New State Pension - £10,600

- Weekly: £203.85
- Monthly: £815.40

8% uprating April 2024 - £11,448 (up £848)

- Weekly: £220
- Monthly: £880

7% uprating April 2024 - £11,342 (up £742)

- Weekly: £218
- Monthly: £872

Current Annual Full Basic State Pension - £8,122

- Weekly: £156.20
- Monthly: £624.80

8% uprating April 2024 - £8,772 (up £650)

- Weekly: £168
- Monthly: £675

7% uprating April 2024 - £8,691 (up £569)

- Weekly: £167
- Monthly: £658

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