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**Rishi Sunak**

## Furlough effect leaves Rishi Sunak with 'triple lock' pensions dilemma

State pensioners will receive 18% increase if chancellor does not scrap manifesto promise

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▲ Rishi Sunak is aware of the statistical problem caused by the furlough, but the Treasury says there are no plans to ditch the triple lock. Photograph: Pippa Fowles/10 Downing Street/Crown Copyright/PA

Rishi Sunak is being forced to consider ways of getting round the “triple lock” on pensions next year amid signs that the bounce back in wages for furloughed workers could put state pensioners in line for an 18% increase.

While the Treasury said it had no plans to ditch the arrangement - by which pensions rise by the rate of inflation, average earnings or 2.5%, whichever is greater - the chancellor has accepted a problem is looming in 2021 as the economy recovers from the coronavirus lockdown.

Officials will spend the next few months seeking a solution that “does not screw pensioners” but outside experts said a temporary suspension of the triple lock was inevitable unless the government is prepared to pay a massive bill next year.

Sunak's dilemma has been caused by forecasts from the Office for Budget Responsibility showing a drop of more than 7% in earnings this year as a result of millions of furloughed workers receiving 80% of their wages, which will be followed by an 18% increase next year as they return to full pay.

Under the triple lock - which Boris Johnson pledged to keep in the Tory's 2019 election manifesto - pensioners will receive a minimum increase of 2.5% in this year's uprating but will be in line to receive 18% the following year.

#### Q&A

What is the pensions triple lock?

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Sunak is aware of the statistical problem caused by the furlough but denied reports that a decision to scrap the triple lock had already been made. Any plan to break the manifesto commitment would need the approval of the prime minister, who promised to retain it only last month.

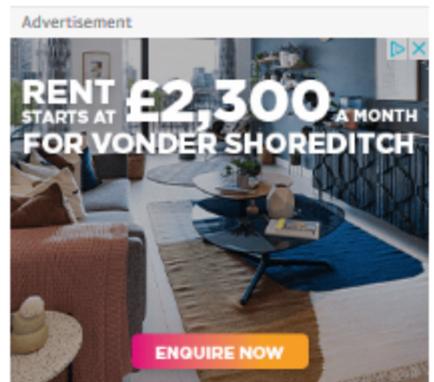
One possible solution would be a temporary one-year suspension of the triple lock, which was brought in by the Conservative-Liberal Democrat coalition government after the 2010 election.

Even before the current crisis, the Treasury had been campaigning to ditch the triple lock on the grounds that an ageing population would make it increasingly unaffordable. But Downing Street said both the prime minister and the chancellor remained committed to supporting pensioners and the Treasury said it had yet to do a full analysis of the options.

The problem caused by the furlough was highlighted by Torsten Bell, the director of the Resolution Foundation thinktank, [in evidence to the Treasury select committee](#) last week.

Bell told MPs: "We're not going to increase the state pension by 18% next year. So the triple lock is going in its current form at least temporarily next year, unless [some MPs] are considering giving very generous increases to pensioners next year. However, I expect we will not be increasing it by nearly a fifth."

The former pensions minister Ros Altmann said: "As Treasury considers public spending measures, triple lock is likely to require review. Given the potential distortions of earnings and inflation figures due to the exceptional crisis measures, it seems that review of the triple lock would be advisable. We do have the lowest state pension in the developed world, so pensioners clearly need protection, but in light of the current emergency, it seems to me the time has come to recognise that the triple lock has outlived its usefulness



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- and indeed its operation has become increasingly unjust.”

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Over the past decade, inflation has been low and wage growth has been weak, so the 2.5% minimum guaranteed by the triple lock has resulted in pensions rising faster than earnings.

Frances O’Grady, the TUC general secretary, said: “The triple lock is vital for increasing our state pension, which is one of the lowest in the developed world.

“Boris Johnson promised to honour his manifesto pledge to keep the triple lock **just last month**. Pensioners should be protected from the impact of any fall in wages or inflation this year.”

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