

State Pension July 8 2021

Altmann reiterates call for triple lock reform as Sunak changes tone



By **Amy Austin**

Choosing to scrap the pensions triple lock just because of one year's set of numbers is unwise, but a radical overhaul of state pension support is needed, according to former pensions minister Ros Altmann.



Baroness Altmann said it would be wrong to abandon the triple lock in its entirety just because one year's set of figures was out of line with previous expectations.

It comes after the Office for Budget Responsibility (OBR) warned state pension costs could increase by £3bn if average earnings hit 8 per cent this

year.

This spike in earnings is expected as the UK emerges from lockdown and the furlough schemes come to an end.

Under current triple lock rules the state pension is increased by the highest of earnings growth, price inflation or 2.5 per cent a year.

Altmann said the government should look to move to a double lock instead and keep the earnings or price inflation element.

But she said purely removing the earnings link would be “another short-term politically-inspired reform” to a policy that instead needs “long-term and holistic reconsideration”. She added the triple lock was never a “sensible long-term policy”.

Altmann called for a comprehensive, independent review of state pensions, which could include rolling all the tax free add-ons into a better state pension.

She said: “This would simplify the system, as well as raising money by making the current tax-free benefits taxable.

“Political interference has left us with a state pension system comprising so many parts that nobody really knows what they will receive.

“Removing short-term political meddling would also be a huge advantage in policy of the future.”

Chancellor ensures 'fairness'

Elsewhere, chancellor Rishi Sunak appeared on BBC Radio 4 this morning (July 8), to discuss the OBR's recent forecasts and what it means for the triple lock.

The chancellor stopped short of promising to keep the triple lock instead saying he will ensure "fairness" when making decisions.

Sunak said: "I would say that these numbers are speculation at this point and we don't know for sure what will happen. But what I can say is that we approach these decisions with fairness in mind. Fairness both for pensioners but also taxpayers."

He said the government policy was the triple lock but he was unable to give a specific answer because the government does not know what the earnings numbers will be just yet.

Sarah Coles, personal finance analyst at Hargreaves Lansdown, said: "Sunak set the cat among the pigeons by departing from the usual line to defend the triple lock at all costs.

"The reference to fairness to taxpayers and pensioners, and highlighting concerns about costs, was the chancellor waving bolt cutters around the triple lock – either to signal a break away from the policy or to gauge the reaction.

"The crisis has thrown up an inherent problem with the mechanisms behind the triple lock, because it's unable to cope with sudden and spikey wage changes. Sunak could address this by adding an element of smoothing of wage figures, so the spikes are evened out to a more gradual rise.