

Public Service Pensioners' Council

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Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London SW1A 1AA

9 November 2021

Dear Prime Minister

SUSPENSION OF THE STATE PENSION TRIPLE-LOCK EARNINGS LINK

I write on behalf of the Public Service Pensioners' Council (PSPC), which represents organisations with over one million retired public service members, in relation to the State Pension triple-lock and the Government decision to suspend the earnings link element of that uprating protection for pensioners, thereby breaking a clear manifesto pledge given during the December 2019 General Election.

The House of Lords voted last week to accept an amendment to the Social Security (Uprating of Benefits Bill) which would allow the continuation of the earnings elements off the triple-lock, thereby retaining the integrity of the triple-lock mechanism, whilst applying the existing legislative discretion to estimate the annual change in the "*general level of earnings as (the Secretary of State) thinks fit*". We believe that this represents a practical and pragmatic approach which would ensure that the intent of the triple-lock - to address the long-term decline in the UK State Pension relative to average earnings - continues to benefit pensioners without breaching a key manifesto pledge.

The value of the UK State Pension relative to average earnings is among the lowest amongst 35 industrialised countries according to an international comparison by the OECD published in 2017. That study found that the UK average pensioner only receives 29% of their net earnings, compared to an industrialised countries average of 63%. The long-term decline in the relative value of the State Pension was a key reason why the triple-lock was introduced from 2012 and it has helped improve the value of the State Pension relative to earnings by applying the greater of price inflation; earnings growth; or a minimum threshold of 2.5%.

Millions of pensioners, including many retired public servants, rely on the State Pension in retirement, despite having an occupational pension. The recent National Audit Office report on the cost of public service pensions highlighted that the average pension paid across the four main public service pension schemes was £10,000 a year. In the Civil Service the average annual pension is only £8,104, and for women it is only £5,874. It is in that context that the

General Secretary: David Luxton

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value of the State Pension is so important to so many pensioners to have a basic standard of living.

According to figures calculated by the former Pensions Minister Steve Webb after the Chancellor's Budget Statement on 27 October, and published in The Times newspaper, the suspension of the triple-lock for one year will result in an accumulated loss of £2,600 over the next five years to an average pensioner on the new State Pension, compared to retaining the earnings link.

The Chancellor confirmed in his Budget Statement that inflation is likely rise further over the coming months, due to rapidly rising global fuel and food prices, and he cited OBR predictions that inflation will be more than 4% by April 2022, which is when the State Pension increase will be implemented. It is also clear that the Ofgem energy price cap will increase much further at the next review period in April, having already risen by 22% this year, adding to the price pressures bearing down on pensioners over the next year.

The House of Lords amendment to the Social Security (Uprating of Benefits) Bill provides your government with a real opportunity to put right the widely held perception of bad faith and unfairness in the decision to suspend the triple lock for one year. The House of Lords amendment protects the integrity of the triple-lock mechanism, whilst dealing with the spike in earnings, and provide some welcome relief for millions of struggling pensioners in 2022.

We urge you to respond positively to the outcry over the suspension of the triple-lock by accepting the reasonable amendment from the House of Lords when the Bill comes back into the House of Commons for its 3rd reading next Monday 15 November.

I look forward to hearing from you.

Yours sincerely

David Luxton

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