# State pension sees rise thanks to the triple lock

**A 2.6% rise in the single tier state pension was announced in the 2018 Budget.**

The increase to the single tier state pension, and its predecessor the basic state pension, will apply from next April. Other state pensions, such as the State Earnings Related Pensions Scheme (SERPS), will rise by 2.4%.

The higher increases for the two main pension benefits are the result of the 'triple lock', which requires the annual uplift to be greatest of:

- CPI inflation (2.4% in September 2018);
- Earnings inflation (2.6% for average weekly earnings to July 2018); and
- 2.5%.

The increased payment – £4.30 a week for the single tier pension – is often presented as extra money for pensioners. However, it is doing little more than maintaining the state pension's buying power against inflation.

Earnings and CPI inflation have been roughly in line with each other for some time, which can be linked to any discussion about the lack of real wage growth. Had September's annual inflation figure come in at 2.6%, as expected by many pundits, it would once again have been the triple lock winner, albeit matched by earnings.

**Triple lock guarantee**

The triple lock is only guaranteed until the end of the current parliament (2022, at the latest) after which its future is in doubt. There have been many calls for the triple lock to be scrapped, including from the House of Commons Work & Pensions Select Committee.

The problem with the triple lock is its cost, which is greater than a pure link to earnings or a simple price inflation.

To see how expensive providing only inflation proofing is you can look at pension annuity rates. For a 65-year-old, an RPI-linked annuity costs approximately two thirds more than an annuity which does not increase over time. While annuities are not as popular these days, that 66% difference is a fair indicator of how much more it costs to build inflation protection into your retirement planning.

If you would like to discuss your retirement plans in light of these developments, please get in touch.