The State Pension and the Triple Lock

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King's Policy Journal

KCL Policy Research Centre

Centre for Business and Economics

Word Count: 2346

May 2026

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Introduction

In the run-up to the 2024 general election both Conservative and Labour parties pledged their intention to maintain the triple lock for state pensions. The State Pension creates a significant burden on the United Kingdom's welfare system, due to the country's ageing population. The weekly amount of State Pension is normally increased each April for the new financial year. After the pension review commission in 2012, the triple lock was introduced to prevent pensions losing value relative to prices and wages. Under the triple-lock commitment the State Pension goes up each year in line with either inflation, wage increases or 2.5% - whichever is the highest (House of Commons Library, 2023). This has, however, led to the value of the state pension rising faster than wages. Around 5 percent of GDP (£138 billion) was spent on the State Pension in 2024-25. As a share of the economy, this is around 35 percent higher than 50 years ago, and 15 percent higher than in 2010-11 (OBR, 2025). Apart from public health, the State Pension is the largest source of government spending. This paper will aim to answer the question - does the triple lock still serve its original purpose, or does it now unfairly advantage pensioners over workers? By combining official statistics and forecasts this paper will analyse whether the triple lock is a sustainable fiscal policy.

How much is the state pension worth today?

The new State Pension is scheduled to rise in April 2026 as a direct result of the triple-lock agreement (OBR, 2024b). The triple lock is a government commitment to uprate both the basic State Pension and new State Pension every year, in line with the highest of either inflation, wage increases, or 2.5% (House of Commons Library, 2023). The logic of using the highest of these three measures is to protect the real incomes of pensioners (Economics Observatory, 2024). For the financial year ending 2024, inflation stood at 3.8 percent in September, which is below average earnings growth of 4.8 percent (DWP, 2026b). Because growth in earnings exceeds both inflation and the baseline 2.5 percent, the rise in wages will determine the State Pension increase in April 2026.

Currently, the new flat-rate State Pension, which is available to those who reached state-pension age after April 2016, is worth £230.25 a week, equivalent to £11,973 a year. In contrast, the basic State Pension, which is available to those who reached state-pension age before April 2016, is worth £176.45 a week, equivalent to £9,175.40 a year (DWP, 2023). The distinction between the new State Pension and the basic State Pension is important as they have different baseline payment levels, though they both rise under the same triple-lock system. The triple lock was introduced to help ensure that pensioners have a good standard of living; and that pensions did not lose their value relative to wages and prices. The triple lock means that from April 2026 the new State Pension will increase to £241.30 a week, or £12,547.60 a year, a rise of £574.60. The basic State Pension - for those who reached State Pension age before April 2016 - will go up to £184.90 a week, or £9,614.80 a

year: a rise of £439.40 (DWP, 2026a). It is important to note that the State Pension still counts as taxable income and thus takes up a significant amount of pensioners' personal allowance (DWP, 2023).

The triple lock has exceeded its original purpose

The stated aim of the triple lock was to prevent the State Pension from losing value relative to prices and wages (Pensioner Policy Institute, 2024). The arguments for protecting pensioners' income relative to working people is that the former are less able to change the amount of time they work in the face of economic shocks (Economics Observatory, 2024). Instead of increasing relative to prices and wages, the State Pension has gained significantly. The triple lock has increased the value of the State Pension significantly and cost around three times more than initial expectations (OBR, 2025). The effect has been particularly dramatic due to poor economic performance and the high level of economic volatility, lack of growth, Brexit, and the COVID-19 pandemic (IFS, 2023a). The last decade has seen much more volatile inflation and lower earnings than the two decades prior to the triple lock's introduction. The triple lock has led to the State Pension rising by 60 percent in cash terms between 2010 and 2023, compared with wages only rising by 40 percent (IFS, 2023a).

The triple-lock policy, combined with the UK's ageing population, means that the State Pension is predicted to be the second largest source of upward pressure on non-interest spending, second only to public health (OBR, 2025). It is also important to note that public health spending also significantly benefits pensioners, with about half of NHS spending going to those over 65 (Portes, 2023). Around 5 percent of GDP (£138 billion) was spent on State Pensions in 2024-25. As a share of the economy, this is around 35 percent higher than 50 years ago, and 15 percent higher than in 2010-11 (OBR, 2025). This is partially due to the higher flat rate pension introduced in 2016, partly due to the aging population, and partly due to the triple lock. The OBR predicts that State Pension costs are set to rise further to 7.7 percent of GDP by the early 2070s. If current policy settings are maintained, the debt will become unsustainable (OBR, 2025). However, it is important to note that these predictions are sensitive to demographic changes, inflation, average earnings, and future rises in the State Pension age. The OBR predicts that if inflation and earnings are more volatile, then the triple lock would mean State Pension spending as a share of GDP would reach 9.1 percent by the early 2070s. However, if inflation and earnings are less volatile, then State Pension spending as a share of GDP would only reach 6.3 percent by the early 2070s (OBR, 2025). Similarly, the IFS predicts that, due to the triple lock, a reasonable estimate for public spending on the State Pension by 2050 would be between £5 billion and £45 billion (IFS, 2023a). The range is so large because of the uncertainty the triple lock creates, and this unpredictability makes it harder for the government to plan for future finances (IFS, 2023a). The uncertainty of further State Pension spending is an additional risk.

Is the system fair to workers?

This raises significant questions about intergenerational fairness. Working age individuals face increasing financial pressure and National Insurance contributions, alongside structural changes to the labour and housing markets. In the 2019 to 2024 period nearly all major taxes grew as a share of the economy. There have been significant rises in income tax and National Insurance contributions due to the policy decision to freeze personal tax thresholds and the subsequent period of high inflation (OBR, 2024a). While the value of pensions has increased since the 2010s, the real value of benefits for working age adults and children has fallen sharply over the same period, by approximately fourteen percent on a household equivalent basis (Adam and Güçeri, 2025). When these economic changes are taken together, it seems unfair to expect workers to finance a pension system which grows at a faster rate than their wages (IFS, 2023a).

Housing affordability has also deteriorated significantly for younger generations. Data from the ONS shows that on average, working people could expect to pay around 7.6 times their annual earnings on purchasing a home in 2016, up from 3.6 times earnings in 1997 (ONS, 2017). The 2024 study showed that while earnings have doubled since the study began in 1997, house prices have more than quadrupled, and therefore affordability remains considerably worse than at the start of the series (ONS, 2025a). As a result, younger households are less likely to own property and more likely to face high rental costs, limiting their ability to accumulate wealth over time. In contrast, earlier generations are therefore more likely to achieve home ownership and accumulate housing wealth over their lifetimes (Piketty, 2014). This can be seen in ONS wealth distribution data which shows that almost three-quarters of households with a retired head owned their home outright, compared with less than 30% of self-employed and less than 20% of employee-led households (ONS, 2022). Retired households on average have the highest levels of assets, the lowest expenditure, and a stable source of income (ONS, 2022). This broader asset position complicates the case for universal above-inflation uprating, as pensioners are not among the most financially vulnerable groups in society. This means substantial public resources are directed towards pensioners who are already relatively well off. Though these arguments about asset-rich pensioners are not incorrect, they do not necessarily demonstrate intergenerational unfairness. This asset gap is reflective of inequality perpetuated across generations when the children of those with large houses benefit through inheritance (Portes, 2023). Those without well-off parents do not get the same benefits and this is an important point to take into account when considering how support for the elderly is best targeted.

Despite arguments about intergenerational fairness, current pensioners paid into the system during their working lives and are not undeserving of their pensions. While today's pensioners benefited from different economic conditions during their working lives, they also contributed taxes and National Insurance that supported earlier generations of retirees. When current pensioners paid into the system in their working lives, they were not saving for their own pensions but funding the pensions of those who were retired at the time (Barr and Diamond, 2006). The state pension system

operates on a pay-as-you-go basis, whereby the pensions of current retirees are funded by taxes and National Insurance contributions of the current working population (Barr and Diamond, 2006). Current pensioners faced significantly less burden and lower taxes than those currently of working age. The debate surrounding the triple lock therefore centres not on whether pensioners deserve support, but whether the scale and mechanism of pension uprating remains equitable given the economic pressures faced by current workers.

The triple lock is poorly targeted

The triple lock applies universally to all recipients of the State Pension, regardless of income, wealth, or financial need. Every full-rate pensioner receives the same percentage increase each year under the triple lock. Unlike means-tested benefits, it does not distinguish between pensioners who rely almost entirely on the state pension and those who have substantial additional income from occupational pensions, savings, or property wealth. In 2022-23 the State Pension made up 44% of disposable income for retired households in their late 60s. However, the state pension makes up 70% of income for the poorest fifth of retirees (Cribb, Emerson, and Karjalainen, 2025). While pensioners' poverty has been reduced significantly, it has not been eliminated entirely, thus some pensioners rely heavily on the state pension and its increases (ONS, 2022). This demonstrates how there is a clear need for financial support among some pensioners, but this need not be the same among all pensioners.

Pension reforms and the triple lock have made significant improvements to pensioners' living standards. In the 1990s over a quarter of pensioners lived in poverty, and by the mid-2010s this had fallen to fewer than one in six (Portes, 2023). It should be celebrated that pension reform has helped lift vulnerable people out of poverty. Gini coefficients measure inequality and take a value between 0 and 1 where 0 expresses no inequality and 1 total inequality. The ONS found that disposable income for people in retired households did not change significantly in the 2023/24 financial year and the Gini coefficient decreased by 1.3 percentage points to 27.9 percent in 2024. However, over the same period there was a decrease of 2.3 percentage points for non-retired households, with an average decrease of 0.3 percentage points per year (ONS, 2024b). These statistics demonstrate how in non-retired households' inequality is rising faster than in retired households. It is important to note that income inequality within retired households remains lower than non-retired households and has done so for the last ten years (ONS, 2024b). As a group, pensioners are now less likely than average to be in relative income poverty, with a rate of 18% just before the pandemic, compared with 31% for families with children (IFS, 2023b). These statistics suggest that pensioners are not the most vulnerable groups within society. While there are undoubtedly some pensioners heavily reliant on the state pension and in need of further support, the universal and untargeted nature of the triple lock is not necessary. Moreover, it is not sustainable.

Conclusion

The triple lock has succeeded in its objective: to restore the value of the State Pension after decades in which it had fallen relative to earnings and living standards. The policy has helped reduce pensioner poverty and improve the living standard of retired people. For many retirees, particularly those without significant private savings or occupational pensions, the State Pension remains a vital and dependable source of income. However, the triple lock has gone beyond its original purpose and instead of rising alongside wages, the State Pension has risen at a rate which exceeds wages. This has increased the long-term cost to the public finances and raised questions about fiscal sustainability, particularly in the context of an ageing population and increasing pressure on public spending. While there are undoubtedly some pensioners heavily reliant on the State Pension and in need of further support, the universal and untargeted nature of the triple lock is not necessary or sustainable. Reforming the State Pension does not require abandoning pensioners altogether, policymakers should consider adjustments that preserve protection for those most reliant on the State Pension while improving fairness and long-term sustainability. Targeted support for lower income pensioners would help ensure that the State Pension continues to provide security in retirement while maintaining a balance between generations.

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