



*Lady Altmann said keeping the triple lock beyond 2020 made 'little sense'*Credit: Telegraph

Secret memo: older people should lose right to a guaranteed state pension that rises every year

Tim Ross , Senior Political Correspondent

[The Telegraph](#) | 2016-07-30T22:13+0100

Older people should lose their right to a guaranteed [state pension](#) that rises every year, according to a secret memo written by the former pensions minister.

Baroness Altmann, who drafted the proposal before she stepped down from the Government this month, said the Conservatives should be brave and drop the “triple lock”, a key manifesto pledge under which the state pension rises by inflation, average earnings, or a minimum of 2.5 per cent each year.

The document warned that continuing to commit to the pensions guarantee would be unaffordable if the economy suffered in the years ahead.

Last night, the government declined to rule out scrapping the triple lock.

The policy has been a totemic pledge from David Cameron and George Osborne and formed a central plank of the Tories' election manifesto last year.

A government source described the idea that the triple lock could be abolished as "speculation", adding that Theresa May's new administration had not yet considered the issue.

However, the new Prime Minister's chief of staff, Nick Timothy, has criticised the policy of protecting benefits for pensioners and guaranteeing that the triple lock will be safe.

He suggested in a series of articles in the past year that protecting pensions and benefits for the elderly, such as free bus passes, was the wrong priority. Mr Timothy argued that the Tories should remember that they are in government to help "ordinary people" and "low-paid working families".



The triple lock was a key Conservative manifesto pledge
Credit: Kirsty O'Connor

Since entering government in coalition in 2010, Mr Cameron's Tories have made boosting the incomes of pensioners a key commitment.

Under the coalition, the state pension rules changed so that it would rise every year by at least 2.5 per cent, or average earnings, or inflation, whichever is higher.

Before the EU referendum, Mr Cameron and Mr Osborne [warned that a Brexit vote could hurt the economy](#) so severely that they would be forced to review the triple lock guarantee and protections for pensioners' benefits, such as bus passes and winter fuel allowances.

Lady Altmann revealed that she sent a memo to George Osborne, who was chancellor, stating that the guarantee had “fulfilled its purpose” and discussed the idea during meetings.



Saving for your pension - by numbersPlay!01:04

Speaking to The Sunday Telegraph, she said that in the past six years, pensioners' incomes had caught up with the rest of the population as a result of the triple lock. It was not necessary to boost state pensions even further, she added.

Instead, pensions should be protected with a “double lock” promise that payments would rise in line with average earnings or inflation, whichever is higher, she said.

“I believe the triple lock has fulfilled its purpose and suggested, as Pensions Minister, that it could be reconsidered for the next Parliament.” She said. “In fact, keeping the triple lock construct beyond the current commitment to 2020 makes little sense to me.”

If inflation turns into deflation and earnings stagnate, keeping the 2.5 per cent rise each year would be hugely expensive and hard to justify,

she added. If deflation takes hold before the next election, scheduled for 2020, ministers may need to scrap the triple lock sooner, she warned.

“It is absolutely right that we protect pensioner incomes, but a ‘double lock’ – with state pension being increased by the higher of the rise in average earnings or inflation – could still achieve that important aim.”



Gary Potter: how to maximise your income at pension age
Play!02:16

Scrapping the triple lock could save the government more money than raising the state pension age so people work for longer before retirement, she added.

Lady Altmann said internal government figures suggested the triple lock could double the cost of state pensions if it continues for the long-term. A report by the Government Actuary’s Department suggested that the cost of the triple lock has been about £6 billion a year, she said.

If earnings and price inflation stay low for a long time, the most likely outcome would be that pensions would rise by 2.5 per cent, under the triple lock, adding about 10 per cent to the state pension bill over the next 25 years.

But if inflation – which is currently 0.5 per cent – fell negative and turned to deflation, the cost of continuing to increase the state pension by 2.5 per cent each year could be more than double the cost of

linking it to earnings by 2070, she said. “By moving to a double lock, billions of pounds could be saved in future pension spending.”



How to make the most of your pension plan Play!02:05

Lady Altmann urged Mrs May, the new Chancellor Philip Hammond, and the new Work and Pensions Secretary, Damian Green, to be “brave” and adopt “sensible thinking on pensions”.

“In some ways, having the triple lock has been used as an easy symbol for politicians to point at to claim they are looking after pensioners,” she said. “This can sometimes mean they do not believe they need to engage in more serious and in-depth policymaking for the aging population.

“Such totemic symbols may be politically convenient, but are not a sound substitute for carefully considered policy reform.”

A spokesman for the Department for Work and Pensions declined to comment. One government source said: “There’s no current plan to change the triple lock but we obviously have new leadership and a new prime minister who will want to decide what to do in the future.”