



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

3rd August 2021

Rt Hon Mel Stride MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

Dear Mel,

Thank you for your letter of 8 July regarding the potential impact of recent average earnings data on state pension uprating.

I am committed to ensuring that older people are able to live with the dignity and respect they deserve. The State Pension is the foundation of state support for older people, and as a result of this Government's policies the full basic State Pension in 2021/22 is over £2,050 a year higher in cash terms than in 2010. This is against a backdrop of wider state support for pensioners, including Winter Fuel Payments, free eye tests and NHS prescriptions, and free bus passes.

This support constitutes one of the government's most significant fiscal commitments: in total, the Government is forecast to spend around £105 billion on the State Pension, and around £130 billion on overall benefits for pensioners in 2021/22. This represents the largest area of Government spending after the NHS.

The Government recognises that there are legitimate concerns about potentially artificially inflated earnings numbers feeding into the uprating of the state pension in 22/23. However, the trajectory of average earnings remains uncertain, and it is not yet clear whether there will be a "spike" as forecasted. We will continue to examine the data as it becomes clearer, and we will be guided by the principle that decisions on pensions must be fair to both pensioners and taxpayers.

As with all aspects of Government policy with major spending implications, I will take any decisions on future changes to the Triple Lock at the appropriate time in the context of the wider public finances, and in consultation with the Prime Minister and Secretary of State for Work and Pensions. Final decisions on uprating policy for pensions and welfare benefits are taken by the Secretary of State for Work and Pensions, supported by HM Treasury, through her annual uprating review.

Best wishes,

RISHI SUNAK