



# Pension Review Group

## CPI to replace RPI as pensions inflation measure

**In a surprise move** on 8 July, UK Pensions Minister Steve Webb said the government intends from 2011 to use the Consumer Prices Index (CPI) in place of the existing Retail Prices Index (RPI) as the measure of price inflation for regulating occupational pension schemes.

The decision caused a considerable debate and confusion amongst pension industry experts as to its exact impact.

For instance, accountants KMPG initially suggested that it would see employers' liabilities falling by £100 billion.

### Liabilities fall to £45 billion

A week later this fell to around £45 billion, still a large figure.

Each year the government makes a revaluation order setting out the minimum rate at which occupational schemes should generally revalue deferred rights and pay increases for existing pensions.

For 2010 that was based on the RPI for the year to September 30, 2009 but for 2011 it will now be based on the CPI to end-September 2010.

So the move will affect the revaluation of many deferred pensions in the future, as well as inflation-linked increases for pensions in payment.

But the exact impact on each pension scheme needs to be examined in detail as it is likely to reflect the precise wording on minimum inflation increases in each scheme's trust deed.

### Devil in the Detail

Pension experts say "the devil is in the detail" with the National Association of Pension Funds (NAPF) chief executive Joanne Segars adding the impact "depends on what the (pension) scheme rules allow".

Some schemes merely refer to increases in line with the government minimum. Others specifically mention RPI making a switch to CPI potentially difficult without the --unlikely-- agreement of trustees. And in some cases using CPI might actually increase a scheme's liabilities, they say.

Historically the CPI has been lower than the more volatile RPI. The

latest UK figures for June show the CPI fell to 3.2 pct on an annual basis from 3.4 pct in May, while the RPI eased back to 5.0 pct from 5.1 pct.

### OTHER NEWS

#### Glocer "sympathetic" on pensions

Tom Glocer, Thomson Reuters CEO, says he is "sympathetic" on pensions.

In a letter to PRG Chair Angela Dean, he said, "We are committed to continuing to work with the RPF trustees on these issues (inflation-linked increases) and look forward to reaching a solution that meets our common desire to secure pensioners' retirements.

"I would like to emphasize that we have the highest regard for our retirees and other alumni in London and around the world, not only as important stakeholders but also for their part in helping to build Thomson Reuters into the global leader it is today."

The full text is [here](#) and is a reply to [an earlier letter from Angela Dean](#).

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