

Public Service Pensioners' Council

Hamilton House, Mabledon Place, London WC1H 9BD. Telephone: 020 7380 4765 FAX: 020 7383 3454
www.publicservicepensioners.org.uk

To: Secretaries of Constituent Organisations

10 January 2013

Dear Colleagues

ONS RPI CONSULTATION OUTCOME

The ONS has published the outcome of its consultation into the formulae underlying the Retail Prices Index. The outcome is better than we originally feared. The decision has been taken not to standardise the RPI with CPI. It also appears that private pensions and index-linked savings certificates will continue to be linked to 'original' RPI.

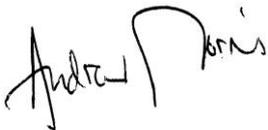
The ONS research programme found that use of the arithmetic formulation (known as the 'Carli' index formula) in the RPI is the primary source of the formula effect difference between the RPI and the CPI, and that this formulation does not meet current international standards. Therefore, a new RPI-based index will be published from March 2013 using a geometric formulation (Jevons), known as RPIJ. This corresponds to option 3 in the RPI consultation issued on 8 October.

The ONS will continue to produce the existing RPI series noting that 'there is significant value to users in maintaining the continuity of the existing RPI's long time series without major change, so that it may continue to be used for long-term indexation and for index-linked gilts and bonds in accordance with user expectations'. A sceptical reader might conclude that the ONS has effectively been forced to maintain the existing RPI series given current borrowing requirements.

The Board of the UK Statistics Authority has accepted these recommendations. The question is to ascertain what this means for our campaign to restore RPI indexation for public service pensions. This will be discussed at the Executive Committee meeting on Monday 14 January.

Public service pensions will continue to be linked to the existing CPI. Colleagues will recall that as a result of the ONS's CPI consultation, a new CPIH index will be introduced from March 2013, which includes housing costs calculated on the 'rental equivalence' basis. Public service pensions will not be linked to the new CPIH unless a further decision is made.

Yours sincerely



ANDREW MORRIS
General Secretary

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