

# Public Service Pensioners' Council

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To: Secretaries of Constituent Organisations

19 July 2012

Dear Colleagues

## ONS CPI CONSULTATION + CORPORATE GOVERNANCE OF PUBLIC SERVICE PENSIONS

I am taking this opportunity to update constituent organisations on recent developments on the above issues.

### ONS CPI Consultation

On 25 June, representatives of the PSPC, Civil Service Pensioners' Alliance, National Pensioners' Convention and Age UK met with Ainslie Restieaux, Head of Prices Development and Derek Bird, Head of Prices Division at the Office for National Statistics. The ONS representatives presented on the CPI consultation and the 'formula effect', the underlying methodological basis of RPI and CPI that leads to the CPI being consistently lower. I enclose a copy of the Powerpoint slides, though a strong cup of coffee may be advisable before reading it.

As previously notified, the ONS's consultation on the inclusion of owner-occupier housing costs can be found at <http://www.ons.gov.uk/ons/about-ons/consultations/open-consultations/owner-occupiers-housing-costs/index.html>. A hard copy has previously been circulated. The ONS has been examining two methods by which owner-occupier housing costs could be included within the CPI. The first method, 'rental equivalence', attempts to measure the price owner-occupiers would have to pay to live in their own home. The second method, 'net acquisitions', measures the costs associated with purchasing and maintaining a home. The ONS now favours the 'rental equivalence method' in a revised 'CPI-H'.

The PSPC plans to respond to the consultation outlining our support for the inclusion of owner-occupier housing costs within CPI and restating our view that any index used to re-rate pensions and benefits must be fit for purpose in allowing standards of living to be maintained. This is not merely a technical matter but something which will affect pensioners' real standard of living for years to come. Our response will be circulated and will be made available on the PSPC website [www.publicservicepensioners.org.uk](http://www.publicservicepensioners.org.uk).

As set out in my letter of 23 May, constituent organisations should consider making their own response. The PSPC, as an umbrella body, will not be offering an opinion on the merits of net acquisitions versus rental equivalence as we recognise that constituent organisations may have legitimately differing opinions on the subject. Responses should be received by 31 August.

The PSPC is planning to organise an 'event' with the preliminary title 'Pension Indexation – Where Next?' on 21 November. This would be along the lines of the gathering held in November 2010, but with a greater focus on future campaigning. A combination of pensioners, people who work in the pensions field and statisticians will be invited. This will of course include

**General Secretary: ANDREW MORRIS**

ASSOCIATIONS REPRESENTED: Association of HM Inspectors of Schools OFSTED Section Committee • Association of HM Inspectors of Schools (Scotland) • Association of Local Authority Chief Executives • Association of Teachers and Lecturers • Association of School and College Leaders • British Broadcasting Corporation Pensioners Association • Civil Service Pensioners' Alliance • Civil Service Pensioners' Alliance (Scotland) • Educational Institute of Scotland • Forces Pension Society • Foreign and Commonwealth Office Association • GMB • MDP Retired Officers' Association • National Association of Head Teachers • National Association of Retired Firefighters • National Association of Retired Police Officers • National Association of Schoolmasters Union of Women Teachers • National Union of Teachers • Overseas Service Pensioners' Association • Prospect • Public and Commercial Services Union • Retired Police Officers' Association (Scotland) • Retired Prison Governors Association • Retired Teachers' Association (Northern Ireland) • Scottish Retired Teachers' Association • UNISON • University and College Union

representatives of PSPC constituent organisations. More details will be circulated in due course.

### Corporate Governance of Public Service Pension Schemes

On 29 June, PSPC Representatives met with Paul Kirk of HM Treasury, member of the Public Service Pensions Reform Team. The PSPC had requested the meeting to ensure that the Treasury had the benefit of the pensioner perspective on scheme governance issues. It was a constructive meeting, and I enclose a copy of the meeting note and chapter 6 of Lord Hutton's final report, which dealt with scheme governance issues.

The Treasury certainly seemed open to the view that any pensioner representatives in any new governance structures could be drawn from membership organisations rather than necessarily through direct election. The PSPC will respond as necessary through the Public Service Pensions Bill's parliamentary stages and seek a further meeting with the Treasury if appropriate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Morris', with a stylized flourish at the end.

ANDREW MORRIS  
General Secretary