

MP

House of Commons
London
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Dear

INDEX-LINKING OF PENSIONS AND BENEFITS

You will, no doubt, be aware that the Government proposes to change the index-linking arrangements for pensions and benefits. The Government intends to replace the Retail Prices Index with the Consumer Prices Index. This will leave millions of pensioners much worse off financially and will force some of them, particularly women, into poverty.

The Government makes much of its "triple lock" guarantee for the basic state pension but this will not apply to the Second State Pension, nor will it apply to occupational pensions. Nor will it improve the lot of state pensioners in the short to medium term because prices are forecast to outstrip earnings for some time to come.

The CPI is usually about 1% less than the RPI. The OBR forecasts that by 2017 the CPI will result in pension increases of 8.5% less than the RPI would have produced. The Emergency Budget Red Book said that by 2015 pensioners would be collectively worse off to the tune of £6 billion. Lord Hutton has said that public sector pensioners would be between 15% and 25% worse off over a life time. These are losses too large for pensioners to bear. The financial penalty will stretch far beyond the term of this Parliament, during which time the Government hopes to resolve the current financial deficit.

The Government has not consulted with the UK Statistics Authority over the change and the Authority does not agree that the CPI, as it currently stands, represents a proper measure of inflation. The Government, itself, is committed to including housing costs within the CPI index but does not expect to be able to do so before 2012. The purpose of Section 150 of the Social Security Administration Act 1992 is to protect the value of pensions against the ravages of inflation, which pensioners do not cause. A Minister who lays an increase order on the basis of a measure which does not reflect the "general level of prices" specified in the Act would be acting outwith his legal responsibilities.

Therefore, a number of Members of Parliament have laid EDM 1032 in the following terms:

That this House notes the Government's proposal to use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) for the price indexation of benefits, tax credits and public service pensions; further notes that the CPI is consistently lower than the RPI; expresses concern over the impact that this will have on the incomes of pensioners and other vulnerable groups; recognises the concerns held by the Royal Statistical Society and the UK Statistics Authority that CPI excludes many housing costs which are borne by the majority of pensioner households; and calls on the Government to take these concerns into account and postpone the change from RPI to CPI until the appropriateness of CPI as a measure of price increases borne by pensioner households can be fully evaluated.

This is a matter of grave concern to pensioners. There is no good reason why we should suffer a lifetime of financial detriment to solve a short-term deficit, which is not of our making.

I, therefore, ask you to support EDM 1032 and to make suitable representations to Ministers.

I look forward to hearing from you.

Yours sincerely