

# Inflation has that sinking feeling

The pension scheme rules spell out that our pensions normally go up each year in line with prices. And that's a great thing to have, as it means no matter how sharply prices go up, pensions are protected.

Over the years we've seen some extreme examples of this, with the official inflation figure for 1980 being 18%, and an even more severe 25% in 1975. Each time, pensions went up in line the following April.

People who benefited from such increases probably thought they were better off, but in fact, all that was happening was that their pensions were keeping pace with the rapidly increasing prices of goods and services at that time.

Over the last few years though, things have been much more subdued, and we have seen



inflation figures which are much lower, for example 1.7% in 2002 and 2.8% in 2005. And for the first time in living memory, the official measure of inflation for 2009 is a negative number... it's **-1.4%**.

So what does this mean in terms of our pensions... do we reduce them by 1.4%? No we don't! In fact what happens is that there is neither a reduction nor an increase... so pensions in payment will *stay the same* from April.

## Frequently asked questions

### **What measure of inflation do you use?**

We use the Retail Prices Index, which you will often see shortened to RPI - this is the same measure used by all pension funds in the Local Government scheme.

### **I'm still paying in... will this zero increase affect me?**

Normally no, unless you also have some deferred benefits with us as well. Otherwise it's your final pay and membership which decide your benefits - inflation whilst you've been paying in is irrelevant.

### **I have deferred benefits - what happens to these?**

This is where you have benefits on hold with us - frozen benefits some members call them. We increase these types of benefits each April in line with prices as well. So once again these will stay the same for next year.

### **Does this affect State Pensions?**

That's a tricky one... normally State Pensions go up in line with prices too - and they use exactly the same measure of inflation to do this. But a few years ago, the Government made a commitment to increase one of the State pensions by a minimum of 2.5%, even if RPI is less than this (or indeed a negative figure, as we have seen this year). The pension in question is the Basic State Pension - so we expect this to go up by 2.5% next April. However the other type of State pension which some people get - the State Second Pension - will remain unchanged.