

Pensions Increase 2011

Each year in April, public sector pensions, including the Local Government Pension Scheme and Police and Fire Schemes, are increased in line with the cost of living.

In the emergency Budget held in June 2010, the UK Government announced that it was changing the way these increases would be worked out. At the moment the April increase is worked out using the rise in the Retail Price Index (RPI) for the year to the previous September. However, from April 2011, the increase will instead be based on the rise in the Consumer Price Index (CPI).

Increases to Local Government Pension Scheme benefits are based on Orders made under the Pensions (Increase) Act 1971. As the regulations for the Local Government Pension Scheme do not specifically refer to the Retail Price Index, the Government can make the switch to the Consumer Price Index without altering the scheme rules.

Both the Retail and Consumer Price Indices measure the cost of goods and services but the Retail Price Index includes housing costs such as mortgage payments and council tax.

It is anticipated that the percentage increase to be paid in April, 2011 will be 3.1% (based on the September CPI figure).

Please note that, subject to Parliamentary approval, the 2011 pensions increase will be based on the rise in the Consumer Price Index rather than the Retail Price Index.”

Pensions Section
1st October, 2010