

## PPF ( deferred ) – Thursday 3 February 2011

Dear member,

I am writing to you to let you know about an important change to the way the compensation you are entitled to receive from the Pension Protection Fund (PPF) in the future will be calculated.

As you may know, until your compensation comes into payment, it may be revalued each year in line with inflation, up to a set limit ( details of this limit can be found on our website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) ).

When your compensation starts to be paid, payments relating to pensionable service after **5 April 1997** may increase in line with inflation, subject to a maximum of 2.5 per cent a year.

The Government has introduced new rules which mean that, instead of using the Retail Prices Index (RPI) to calculate these revaluations and increases, we now have to use the **Consumer Prices Index (CPI)** – a measure the Government uses for its own inflation targets.

RPI and CPI both measure inflation by tracking changes in the costs of certain goods and services. But, because they do not track the same goods and services, they produce different rates of inflation.

Because the CPI figure is generally lower than the RPI figure, your compensation may not be revalued by as much as it might have if the Government continued to use RPI.

We anticipate that the changes to revaluations will come into effect on **31 March 2011**. Any revaluation up to this date will be calculated using RPI while revaluations after that date will be calculated using CPI. Also, we anticipate that the changes to increases will come into effect towards the **end of 2011**, with first payments being made on **1 January 2012**.

Please remember that your compensation will be revalued in line with inflation each year, until you start to receive payments, regardless of when your pensionable service dates from. But, once you start to receive compensation payments, and your pensionable service only relates to service before **5 April 1997**, those payments will not increase in line with inflation, unlike those with pensionable service after that date.

If you need any more information or clarification about this change, then please do not hesitate to call us on our customer contact number: **0845 603 7224** or email us at [members@ppfonline.org.uk](mailto:members@ppfonline.org.uk). Alternatively, you can get further information from our website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

I would like to take this opportunity to reassure you that your compensation remains safe in our hands.

Yours sincerely  
Colin Waring  
Head of Operations Delivery.