

**PPF (retired) – TUESDAY 4 JANUARY**

Dear member,

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

As you know, compensation which relates to pensionable service after **5 April 1997** may increase in line with inflation each year, 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 those 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 increase by as much as it might have if the Government continued to use RPI.

We anticipate that these changes will come into effect towards the end of 2011 which means the first increase to be calculated using CPI will be paid from **1 January 2012**. These changes will be detailed in your annual payslip on that date.

Again, please remember that inflation increases to compensation only relate to pensionable service dating from **5 April 1997**. This means that this change will **not** affect people who only receive compensation payments relating to pensionable service before 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 and that we will continue to make payments for as long as they are due.

Yours sincerely

Colin Waring  
Head of Operations Delivery.