

**JEREMY QUIN MP**  
Member of Parliament for Horsham



**HOUSE OF COMMONS**  
LONDON SW1A 0AA

19th December 2016

*Dear Constituent,*

**RE: HEWLETT PACKARD PENSIONS**

Thank you for contacting me about pension arrangements for Hewlett Packard (HP) workers.

Pension schemes have an obligation to update any pension accruals built up after 6th April 1997 in line with the Consumer Prices Index (CPI), subject to a cap of 5 per cent. For any pension built up after 6 April 2005, that cap is 2.5 per cent. However, schemes do not have to increase any part of a pension which was built up before 6 April 1997.

The exception to this is for any schemes that were contracted out of the additional State Pension and are required to provide a Guaranteed Minimum Pension, worth at least as much as the State Pension you would have built up if you had not been 'contracted out'; any accruals built up after 6 April 1988 must get uprated by law by CPI, subject to a 3 per cent cap.

Putting additional requirements on pension schemes, such as having to backdate indexation on pensions, can put pressure on the financial viability of schemes. It is important that schemes are able to plan for the long-term and remain secure and sustainable. I appreciate your frustration that your scheme is choosing not to uprate above the legal requirements, but it is meeting its statutory obligations, and it is not appropriate for Ministers to comment on or intervene in the decisions of individual schemes.

I understand that it is the HPPA's view that schemes should be required to uprate in line with the Retail Prices Index (RPI) instead of CPI. The Government does not believe RPI is the best measure to use for pensions uprating. The CPI measure reflects the spending of pensioners far better than the RPI measure. The CPI also uses a methodology that is a more accurate reflection of how consumers, including pensioners, respond to price rises, than the methodology employed in the RPI. Schemes may choose to uprate by RPI, but that is a decision for individual schemes.

Thank you again for taking the time to contact me.

*Yours sincerely,*

A handwritten signature in black ink, appearing to read 'Jeremy Quin'.