A Response to the Consultation on the Reform to Retail Prices Index (RPI) Methodology

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1. Overview

1.1 Background to the consultation

1. The Retail Prices Index (RPI) is the oldest measure of consumer prices in the UK and is used widely across the economy and in financial contracts. However, it has a number of shortcomings, meaning that it has at times greatly overestimated, and at other times underestimated, the rate of inflation.

2. The Statistics and Registration Service Act 2007 (the Act) established the UK Statistics Authority (the Authority) as an independent body, which operates at arm's length from government. The Authority is responsible for the production and publication of official statistics and National Statistics in the UK. The Act requires the Authority to compile and maintain the RPI, which is published and calculated by the Office for National Statistics (ONS). In certain circumstances, changes to the RPI require the consent of the Chancellor of the Exchequer (the Chancellor) before they can be implemented. The circumstances giving rise to this requirement to seek the Chancellor's consent expire in 2030.

3. In March 2019, the Authority made a proposal to address all of the shortcomings of the RPI. The Authority left open for discussion the timing of the implementation of the proposal. In September 2019, the then Chancellor stated that he was unable to consent to the introduction of the change proposed based on the available information at the time.

4. Instead, the then Chancellor announced in September 2019 that the government would consult publicly on when such a change should be made between 2025 and 2030. The Authority also announced that they would consult on the technical approach for implementing the change. This joint consultation was launched at the Budget on 11 March 2020.

5. The consultation sought views to inform decisions on two outstanding elements of the Authority's proposal. These decisions relate to:

    a) The technical approach the Authority will take to bring robust methods and data sources (the methods and data sources of the Authority's lead measure of consumer price inflation, the National Statistic, the Consumer Prices Index including owner occupiers' housing costs (CPIH)) into the RPI; and

b) The specific date at which the Authority's proposal would be implemented. (Given the September 2019 announcement from the then Chancellor, this date would be between 2025 and 2030.)

6. The consultation also sought views on the broader impacts of reform, which fall outside the factors the Chancellor can consider in his decision under the Act. Further, the consultation sought views on the Authority's proposed approach on supplementary and lower level indices produced by the ONS that are based on the RPI.

1.2 How the RPI will change

7. In the consultation document published on 11 March 2020[1], the Authority set out the approach by which they would bring the methods and data sources of CPIH into the RPI. After considering consultation responses and advice from its Technical Advisory Panel for Consumer Price Statistics (APCP-T), the **Authority has concluded that its preferred statistical method for bringing the methods and data sources of CPIH into the RPI remains that as set out in the original consultation document.**

8. After the implementation of CPIH methods and data sources into the RPI, the RPI and CPIH will continue to be calculated separately in the manner set out in the consultation document on an ongoing basis, and will be published as separate indices and growth rates in the Consumer Price Inflation, UK Statistical bulletin. The method is described in more detail in Section 3 and a worked example is provided in Annex A.

9. In addition, in the consultation document the Authority set out its intention to discontinue the supplementary and lower level indices of the RPI. In order to understand the potential impacts of doing so, the Authority sought views on where the supplementary RPI indices are currently used. Further, the Authority sought views on what guidance users of those supplementary indices would find most useful for the ONS to provide once the supplementary RPI indices are discontinued. **The Authority will discontinue the supplementary and lower level indices of the RPI at the point when the proposal is implemented and provide users with guidance to assist in moving away from RPI-related indices.**

[1] https://www.gov.uk/government/consultations/a-consultation-on-the-reform-to-retail-prices-index-rpi-methodology

1.3 The Chancellor's view on the timing of reform

10. In the consultation document, the government set out the role for the Chancellor in consenting to the Authority's proposal and the specific range of factors likely to be relevant to his decision. Those factors include the impact of the proposal on the holders of index-linked gilts, the impact on the wider index-linked gilt market, and any consequent public finance implications. The consultation sought evidence, with regard to these relevant factors, to inform the Chancellor of the impacts of the Authority's proposal if implemented before 2030.

11. **Having considered all of the relevant factors, on 23 October 2020 the Chancellor wrote to the Authority Chair stating that, in order to minimise the impact of the Authority's proposal on the holders of index-linked gilts, he will be unable to offer his consent to the implementation of a proposal (such that the Authority intends to make) before the maturity of the final specific index-linked gilt in 2030[2]. A full assessment of the factors the Chancellor considered in coming to his view can be found in Section 4.**

1.4 Calls for further mitigation of the impact of reform

12. The vast majority of index-linked gilt holder respondents called for further mitigation for index-linked gilt holders in the form of compensation. **The government will not offer compensation to the holders of index-linked gilts.** The contractual terms of all index-linked gilts state that the RPI should be used to determine the index ratio, which is used to calculate interest and redemption payments. There is no change to this flowing from the implementation of the Authority's reform.

1.5 Implementing the Authority's proposal

13. As detailed in Section 3 of this document, the Authority has finalised its proposed approach to bring the methods and data sources of CPIH into the RPI. In addition, as detailed in Section 4 of this document, the Chancellor has written to the Authority Chair notifying him that he intends to withhold his consent during the remaining life of the specific index-linked gilts, the last of which matures in 2030.

[2] Detail on the specific index-linked gilts can be found in Section 3 (and in further detail in the consultation document).

14. It is the Authority's policy to address the shortcomings of the RPI in full at the earliest practical time. Given the Chancellor's position, on 5 November 2020, the Authority Chair wrote to the Governor of the Bank of England to seek the greatest degree of clarity possible on the respective obligations of the Bank of England and Authority under the Act were the methods and data sources of CPIH to be brought into the RPI in February 2030.

15. On 13 November 2020, the Deputy Governor for Monetary Policy replied to the Authority Chair confirming that from 2030 the proposed change to the RPI should not have a materially detrimental impact on the interests of relevant index-linked gilt holders.[3] In such circumstances, the Authority is not required to seek the consent of the Chancellor for the proposed change.[4]

16. In light of the clarification provided by the Bank of England, and given the Authority's position to address the shortcomings in the RPI in full at the earliest practical time, on 20 November 2020, the Authority Chair replied to the Chancellor informing him that the Authority would be able to legally and practically implement its proposal to the RPI in February 2030.

17. The exchange of letters referenced in this section has been published alongside this response on the government and Authority websites.

1.6 The broader impacts of the Authority's proposal

18. Under the Act, it was not open to the Chancellor to take into account responses on the broader impacts of reform that were not relevant to his decision under the relevant provision in the Act. However, the government and Authority were mindful of the potentially wide-ranging impacts the proposal might have on the users of the RPI, and as such sought evidence of this in the consultation. A wide range of responses were received and are summarised in Section 6.

19. In particular it is apparent that some defined benefit (DB) pension scheme members will be affected by the Authority's reform of the RPI. The announcement in this response by the Chancellor and Authority Chair means that reform will not be implemented until 2030. The government

[3] The Bank of England based its assessment on the assumptions that "no changes are made to the relevant legislation" and that the "definition of 'relevant' ILGs remains unchanged".
[4] Pursuant to s21(3) SRSA 2007

keeps the occupational pensions system under review and will continue to do so.

20. The Authority has set out ‘use cases’ for each of its consumer price inflation statistics in the article, Measuring changing prices and costs for consumers and households. The information gathered on the broader impacts of the Authority’s proposal will be important in informing the development of these use cases under the reform. Additionally the information will inform the Authority’s ambitious programme of work for improving its range of consumer price inflation statistics. This includes plans to incorporate innovative new data sources - such as scanner data and web scraped data - into the CPIH and CPI in 2023, and the introduction of the Household Costs Indices, which aim to reflect changing prices and costs as experienced by different household groups.

1.7 The response document

21. This government and Authority’s response to the consultation is structured as follows:

Section 2 outlines how the government and Authority ran the consultation.

Section 3 details the responses received with respect to the technical approach to reforming the RPI and on the use of the sub-indices of RPI. The section also outlines the Authority’s response to this aspect of the consultation.

Section 4 details the responses received with respect to the timing of reform. The section outlines the Chancellor’s view on the timing of reform. The section also details the government’s response on the calls for further mitigation of the impact of reform.

Section 5 outlines the Authority’s plan to implement reform including the date at which the reform will be implemented.

Section 6 details the responses received on the broader impacts of reform. The section outlines the government and Authority’s response to this aspect of the consultation.

2. How we consulted

2.1 The consultation period

22. On 4 September 2019, the government and Authority jointly announced that they would consult on reform to the RPI. The consultation launched at the Budget on 11 March 2020. Originally, the consultation was set to run for six weeks, closing on 22 April 2020, with the government and Authority responding by the summer Parliamentary recess. However, due to the impacts of the coronavirus (COVID-19) pandemic, the Chancellor and Authority Board decided to extend the consultation. As such, on 16 April 2020, the Chancellor and Authority Chair announced that the consultation would instead close on 21 August 2020, with a response due in the autumn.

23. On 9 November 2020, the Chancellor and Authority Chair announced that the government and Authority would respond to the consultation alongside the government's Spending Review on 25 November 2020.

2.2 Responses to the consultation

24. The government and Authority primarily sought responses to the consultation through the Citizenspace consultation platform. Responses were also welcomed by email and by post. **Further detail of this engagement is provided in the relevant sections of the response.**

25. At the close of the consultation on 21 August 2020, the government and Authority had received 831 written responses, including 209 to the Citizenspace platform, 619 to the consultation email address, and three by post. These responses included 240 companies, trade associations, trades unions or think tanks, with the remaining 591 submitted by private individuals or community groups. This included 257 from individual members of the British Airways (BA) pension scheme. The total number of responses is more than double the number of responses to the previous consultation on the RPI (406), which was run by the Authority and closed in 2012.

26. The government and Authority also engaged directly with a number of users and stakeholders to discuss the consultation. The government consulted with stakeholders relevant to the Chancellor's considerations on the timing of reform. The Authority also consulted with a range of

stakeholders on its recommended approach for bringing the methods and data sources of CPIH into the RPI in a way that follows best statistical practice. This engagement was conducted virtually due to implementation of social distancing policies and movement restrictions brought into effect in response to the coronavirus (COVID-19) pandemic.

27. The government and Authority are grateful for the high level of engagement with the consultation, and the responses received. Further detail of the written responses and of this engagement is provided in the relevant sections of the response. Written responses will be published as soon as possible on the government and Authority websites. Details of attendees and a summary of the minutes of the government's engagement can be found in Annex D.

3. How the RPI will change

3.1 The consultation

28. The Authority is required by the Act to compile and maintain the RPI, and publish it every month. In September 2019, the then Chancellor announced that the government had no plans to promote legislation that would remove this requirement. Since the obligation on the Authority to publish the RPI every month remains, the Authority's policy is to address the shortcomings of the RPI in full at the earliest legal and practical opportunity by bringing the methods and data sources from the National Statistic, the CPIH, into the RPI. In order to provide the greatest possible clarity to users of consumer price inflation statistics, this section provides the Authority's detailed conclusions on how the transition should be made in a way that follows best statistical practice.

29. In practice, under the Authority's preferred approach, the RPI index values will be calculated using the same methods and data sources as are used for the CPIH. Monthly and annual growth rates will then be calculated directly from the new index values. It is also the ONS's intention to stop publishing supplementary indices, such as the RPIX, and other RPI sub-indices below the all-items level, once the transition to the new methods and data sources has occurred.

30. Through the recent consultation, the Authority sought views on its recommended approach of bringing these changes to the RPI in a way that follows best statistical practice. The Authority also sought information on uses of the lower level and supplementary RPI indices, and on what guidance would be helpful to users.

31. Ahead of the consultation launch, the Authority raised awareness of the upcoming consultation via existing stakeholder panels and statistics user groups, as well as at public-facing events. The Authority also worked closely with the Devolved Administrations to ensure that stakeholders in Wales, Scotland and Northern Ireland and across English local government were made aware of the consultation.

32. During the consultation period, the Authority ran a focussed user engagement event on 27 July 2020. This replaced several planned sessions across the country that had to be cancelled as a result of the coronavirus (COVID-19) pandemic. The event on 27 July was instead run as an online webinar and drew in feedback from users across the country. The consultation was also discussed at the ONS Economic Forum on 8

July 2020 (attended by over 180 stakeholders from government, business and academia). Where requested, the Authority discussed the consultation at relevant third-party events, including an event organised by the Royal Statistical Society on 21 July 2020, which was attended by over 100 stakeholders from a variety of backgrounds.

3.2 How the change to the RPI will be made

33. The Authority sought views on how to bring the methods and data sources of the CPIH into the RPI.

34. The standard statistical procedure for introducing a new methodology into an index series is through the use of a chain link. Put simply, the growth in the new series under the new methodology is applied to the long-run series based on the old methodology. This approach is widely used internationally for introducing new methods, new basket items, and new expenditure weights to ensure that the index reflects changing consumer preferences. The Authority's proposal was to therefore use a chain link to introduce the methods and data sources of the CPIH, as the more robust National Statistic, into the RPI.

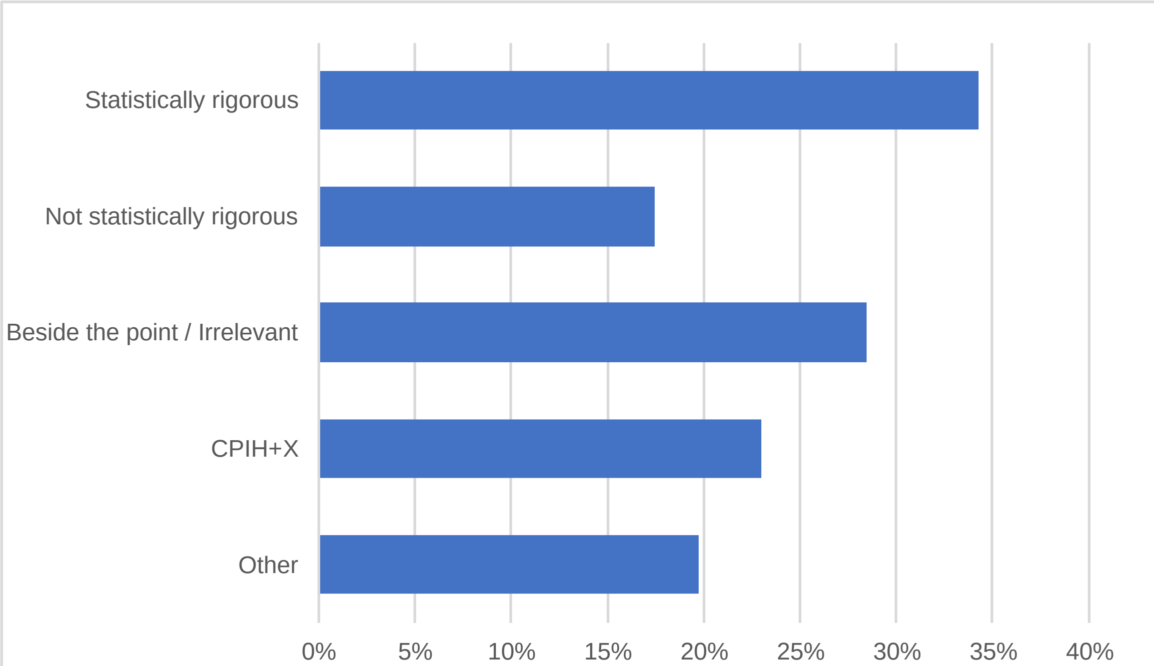
35. The RPI series includes index values, and monthly and annual growth rates – all of which have different uses. It is not possible to implement the Authority's proposal across all three at the same time and achieve a consistent set of measures. This is because to calculate annual growth rates, index values are required for two years. During the first year of transition, the annual growth rate calculation will be based on the previous year's RPI and, in the current year, the newly reformed RPI based on CPIH methods and data sources. This will make the annual growth rates for the newly calculated RPI and CPIH inconsistent. A worked example of how the change would be made is provided in Annex A.

36. In the consultation, the Authority asked respondents:

    Question 1: Do you agree that [the Authority's] proposed approach is statistically rigorous?

37. Of the 831 responses to the consultation, 37% provided a response to this question. Figure 1 shows the broad themes that were identified from the responses. Of those who answered this question, the most common response was that respondents agreed that the approach was statistically rigorous (34%). Around half that number (17%) took a different view and suggested that the approach was not statistically rigorous.

Figure 1: Responses to question 1 by broad theme[5,6,7]



38. However, many felt that although the method may be statistically rigorous, this was beside the point or irrelevant: 44% of those who thought that the approach was statistically rigorous also responded with this point (Table 1). But this theme was less common when looking at responses from organisations (22%) rather than from individuals, who often said that the consultation was too narrow and should be more concerned with whether the change should be made at all.

[5] Percentages do not sum to 100% as respondents may have used more than one theme. The themes are not mutually exclusive.
[6] Due to the subjective nature of the recording of themes, any figures presented are best estimates and are subject to error. Please refer to Annex B for more information.
[7] "No view" was classified as a nil response.

Table 1: Individual and organisational responses that said the proposed method was statistically rigorous but that this was irrelevant

	Irrelevant	Not applicable	Total
Statistically rigorous	**47**	**59**	**106**
Of which:	-	-	-
Individuals	36	19	**55**
Organisations	11	40	**51**

39. Most of the respondents who said that the method was not statistically rigorous addressed the change itself in the broad sense rather than the statistical rigour of the proposed method for making that change. In general, these responses considered the differences between the RPI and the CPIH on a statistical basis. Of those who responded that the proposed method was not statistically rigorous, 74% were concerned with the impact on RPI-linked pensions either as individuals or funds themselves.

40. The Authority's Technical Advisory Panel on Consumer Prices (APCP-T) discussed the RPI consultation document at its 10 July 2020 meeting. Whilst panel members agreed on the proposed chain linking method, it was recognised that there were different views around other aspects of the consultation.

41. The Authority's Stakeholder Advisory Panel on Consumer Prices (APCP-S) discussed the consultation on reform to the RPI methodology at its 3 April 2020 meeting and has published its response. There was general support that the proposed approach to transition the RPI to a CPIH-based methodology was transparent and would result in a smooth transition. This was echoed by the APCP-T who responded "that the only statistically rigorous linking approach was that set out in the UK Statistics Authority's proposals". This was done by assessing a range of alternative approaches, such as linking over the year or on annual averages.

42. However, APCP-S members were divided on the merits of the proposal as it stands. While a majority were generally content, a minority were opposed. The Royal Statistical Society (RSS) disagreed with the broad proposal to bring the methods and data of CPIH to the RPI. This was based on the view that the RPI is closer to a "cost of living" index than

CPIH. Ideally the RSS advocates aligning the RPI with the Household Cost Indices. These are experimental measures, currently in development to understand the inflationary experience of different household groups. The Trades Union Congress argued that, from a statistical standpoint, the RPI was still "a viable candidate for the single measure of inflation" referencing the House of Lords Economic Affairs Committee report.

43. Across all of the questions, there were 72 respondents (9%) who thought that the consultation was too narrow. Broadly speaking the sentiment was that, rather than consulting on how and when a change should be made, the consultation should focus on whether to make the change at all. Some users felt they should first be consulted on the fundamental question of the future of the RPI rather than at the later stage of the proposed method and timing. This theme was very often linked to those who thought that statistical rigour was irrelevant or beside the point when answering question 1. However, when respondents argued that the consultation was too narrow, this was not with direct reference to statistical rigour as it was outside of this question and was a broader theme. On the other hand, for question 1, where respondents thought that statistical rigour was irrelevant, they did not necessarily make a comment on the breadth and scope of the consultation. It is important to note that themes are not mutually exclusive.

44. In arguing that the consultation was too narrow, or that statistical rigour was irrelevant, many felt that the economic impacts should be the primary consideration. These economic impacts are discussed in more detail in Section 6. However, to minimise such impacts, some respondents focussed on the idea of setting the RPI equal to the CPIH plus an additional amount to reflect the difference in levels between the RPI and the CPIH. This idea was often summarised as 'CPIH+X'. Respondents primarily suggested that 'X' should be the average difference between the CPIH and the RPI, sometimes known as the "wedge", or directly using 1% in addition to the CPIH. This theme was present in 23% of the responses to question 1, and 10% of all responses. This was postulated equally by individuals and organisations.

45. A related theme was discussed in some of the responses to other questions. These responses pointed to the way that the overnight financial sector moved from the London Inter-Bank Operating Rate (LIBOR) to the Sterling Overnight Index Average (SONIA) as a precedent. Broadly speaking this can be paraphrased as the request for "a slow and steady

move from one measure to another, working closely with stakeholders, users and industry*"*. This was cited by 9% of respondents.

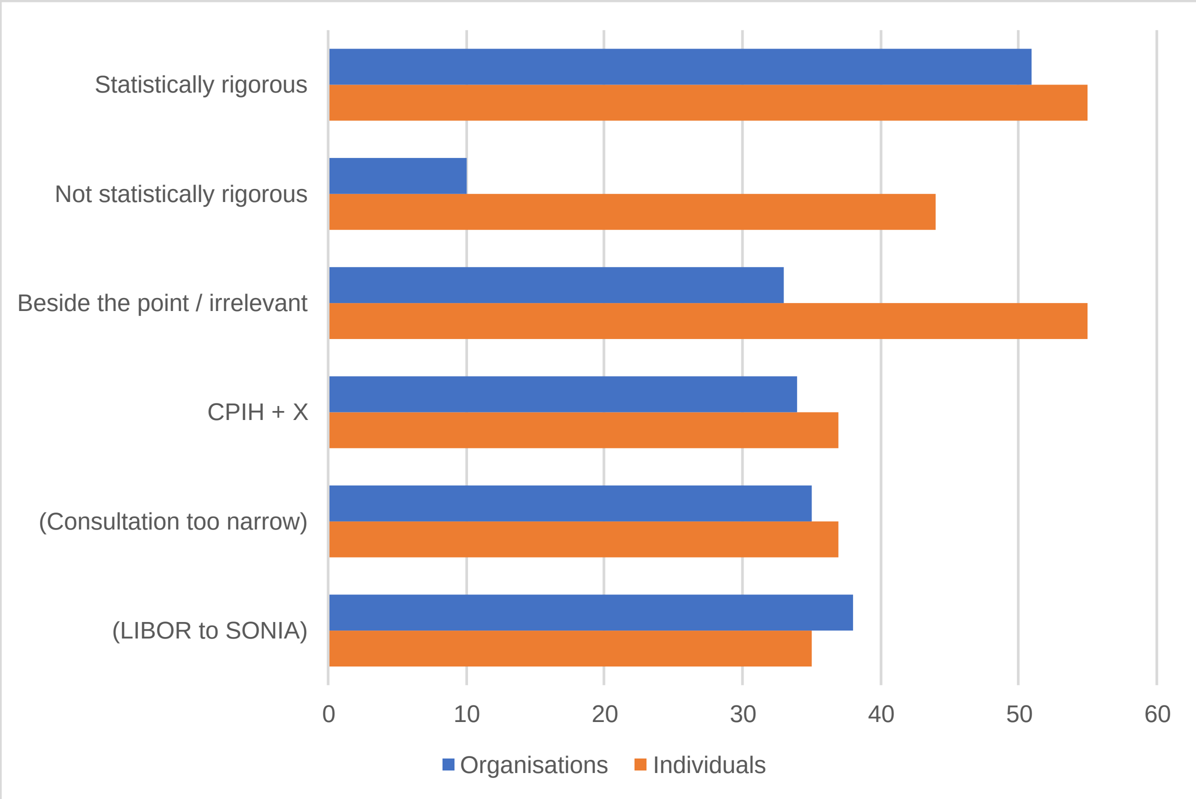
46. After 2012, when flaws were found in LIBOR, the use of a new rate was proposed (SONIA) that would reduce "the need to rely on various forms of expert judgement rather than actual transactions"[8]. After a consultation, which closed in February 2020, the favoured method to move away from LIBOR to SONIA was the use of a "5-year, median adjustment spread". This would take the two rates in any given market and settle long term swaps and derivatives at maturity to prevent any transfer of wealth. This is seen as equivalent to setting the RPI equal to CPIH + X until the relevant bonds reach maturity. A wide range of information from the Bank of England can be found here.

47. It is important to note that measures of inflation are statistics based on statistical and economic concepts. Both LIBOR and SONIA are benchmark trading rates designed to facilitate financial transactions where specific market reference points are required, rather than statistical measures of an economic concept. Moreover, the aim of the reform is to improve the RPI as a measure of inflation, and there is no statistical basis for adding an additional amount 'X' to the reformed RPI. Therefore, the argument to replace the RPI with a measure of CPIH + X is not a statistical one.

48. Broken down by individuals and organisations, the themes present in question 1 are relatively equal, other than for those who thought that the method was not statistically rigorous and that the question was irrelevant. These themes were more present with individuals than organisations (Figure 2).

[8] https://www.fsb.org/wp-content/uploads/r_140722.pdf

Figure 2: Question 1 themes for individuals and organisations[9,10]



3.3 The Authority's decision on how the change to the RPI will be made

49. The Authority's decision-making process on how the methods and data sources of CPIH should be brought to the RPI must be based on statistical considerations. Section 7 of the Act sets out the Authority's statutory objective of 'promoting and safeguarding the production and publication of official statistics'. In particular, this relates to 'the quality of official statistics, good practice in relation to official statistics, and the comprehensiveness of official statistics.' Quality here directly refers to 'their impartiality, accuracy and relevance, and their coherence with other official statistics.'

50. Over the consultation period, the Authority discussed the matter with the National Statistician's Advisory Panels for Consumer Prices, and has fully considered all responses to the consultation. No further statistical

[9] Counts will not sum to total responses as respondents may have used more than one theme. The themes are not mutually exclusive.
[10] The themes 'Consultation too narrow' and 'SONIA to LIBOR' are associated with, but not directly in response to, question 1

considerations have been brought to light on the Authority's proposed approach for bringing the methods and data sources of CPIH to the RPI.

The Authority has therefore concluded that its preferred statistical method for bringing the methods and data sources of CPIH into the RPI remains by the use of a chain link, as set out in the original consultation document.

51. A worked example of the proposed methodology has been reproduced in Annex A for convenience.

3.4 Guidance for users of the RPI

52. The Authority is keen to support users through the transition to CPIH methods and data sources. Specifically, the proposals set out in the consultation on reform to the RPI methodology will result in the discontinuation of all RPI supplementary and lower level indices. Only an all-items RPI index and growth rates will be published.

53. The reason for this is that CPIH lower level indices are produced according to the Classification of individual consumption by purpose (COICOP), which is an internationally recognised classification structure, whereas the RPI uses a bespoke UK-based classification structure. When the RPI is reformed, it will not be possible to chain link the new CPIH-based indices in the same way at lower levels and produce a coherent set of indices. It would be possible to create a mapping between the RPI and the CPIH classifications; however, this would alter the structure of component-level indices and would result in reconciliation differences with the all-items index.

54. The ONS will therefore provide guidance to direct users of lower level or supplementary RPI indices towards the most appropriate alternative price indices. The Authority asked two questions to support the development of appropriate guidance:

> **Question 7: Which lower level or supplementary RPI indices are currently used, and what are they used for?**

55. There were very few responses from users of supplementary or lower-level indices. Only 39 respondents provided information in response to this question (5%). Of those who answered this question, 5 referred to their use of the RPI excluding mortgage interest payments (RPIX) and some respondents mentioned the use of specific items or sections. This included

"building costs" from 3 respondents. Other than this there was no notification of the use of any supplementary or lower-level indices.

Question 8: What guidance would users of lower level or supplementary RPI indices find most useful for the ONS to provide?

56. There were only 28 responses (3%) that gave a view on the guidance for users of supplementary or lower-level RPI indices. There was one identifiable theme, which was that the guidance should be 'understandable'.

57. The Authority considers that there is value to users in providing information on CPIH-based alternative measures.

In Annex C, the Authority has set out guidance on which CPIH measures could be used in the place of lower level or supplementary RPI measures.

4. The Chancellor's view on the timing of reform

4.1 The purpose of the consultation

58. The Authority Chair's letter to the then Chancellor on 4 March 2019 left the timing of reform as a matter open for discussion.

59. At that time, and as set out in his letter of 4 September 2019 to the Authority Chair, the then Chancellor was unable to consent to the introduction of the Authority's proposed change any earlier than February 2025, based on the information available. Instead, in agreement with the Authority, he subsequently announced a joint consultation to seek evidence that would be relevant in informing the Chancellor on whether he should indicate that he would consent to the change before 2030, and, if so, when between 2025 and 2030.

60. As set out in the consultation document, the scope of section 21 of the Act indicates that the following factors are likely to be relevant to the Chancellor's decision under that section:

   a) The impact of the Authority's proposed change to the RPI on the interests of the holders of the 'relevant'[11] index-linked gilts
   b) Any consequent impact of the Authority's proposed change on the interests of the holders of the wider stock of index-linked gilts and on the index-linked gilt market
   c) Any consequent impacts on the public finances
   d) The independence and integrity of the UK statistical system
   e) The procedure which the Authority has followed in making its recommendation

   The list of factors is not necessarily exhaustive, but includes the considerations most likely to be relevant to his decision under section 21.

61. As the then Chancellor observed in his letter of 4 September 2019, the Authority took its decision on its intended approach to reform the RPI based on the advice from the National Statistician. It is clear to the government that the approach the Authority took in making its proposal was made independently and followed proper procedure.

[11] As detailed in the consultation document, 'relevant' gilts are those which contain clauses which provision for the holder to seek redemption of their index-linked gilts in the event of the Authority implementing a "fundamental" change to the RPI which would be "materially detrimental" to the holders of those index-linked gilts. At the time of the consultation launch, three such gilts were in issue - 2½% IL 2020, 2½% IL 2024 and 4 1/8% IL 2030. As many respondents noted, 2½% IL 2020 gilt expired in April this year, and the 2½% IL 2024 gilt will expire before February 2025 – the earliest point at which the Chancellor would consider reforming the RPI.

62. The consultation therefore sought evidence on the impact of the Authority's proposal on the holders of the 'relevant' index-linked gilts, the wider stock of index-linked gilts, and any consequent impacts on the public finances. The consultation asked three questions to elicit responses on factors (a), (b), and (c):

Question 2: What will be the impact on the interests of holders of 'relevant' index-linked gilts (i.e. 2½% IL 2020, 2½% IL 2024 and 4 1/8% IL 2030) of addressing the shortcomings of the RPI in a) 2025 b) 2030 or c) any year in between?

Question 3: What will be the impact on the interests of holders of all other index-linked gilts of addressing the shortcomings of the RPI in a) 2025 b) 2030 or c) any year in between?

Question 4: What will be the impact on the index-linked gilt market or those dependent on it of addressing the shortcomings of the RPI in a) 2025 b) 2030 or c) any year in between?

4.2 Responses to the consultation

63. There were 229 written responses offering information relevant to these questions. The majority came from stated investors in index-linked gilts. Of these, there were 125 responses from trustees of DB pension schemes (both private and local government schemes), 17 responses from asset managers and investment firms, and three responses from insurance companies. In addition, the consultation received seven responses from trade associations, which mostly represented investors in index-linked gilts, and from consultancies who advise DB pension schemes.

64. In July, the Economic Secretary to the Treasury held two roundtable events with index-linked gilt market participants to seek their views on the timing of reform. The first, on 13 July 2020, sought views from the Gilt-Edged Market Makers, and the second, on 16 July 2020, sought views from investors in index-linked gilts. Unattributed summary minutes of these meetings and a list of participants can be found in Annex D.

4.3 Key findings

65. **Almost all index-linked gilt holder respondents noted that reform will reduce the remaining interest and redemption payments of all index-linked gilts with effect from a few months after the implementation date.** In turn, this will reduce the market value of index-linked gilts. The direct impact of this on the Treasury would be reduced debt interest and lower maturity payments. Key findings from responses are summarised in this section.

66. **The holders of a majority of index-linked gilts are seeking to match inflation-linked liabilities.** This means that they use the returns from index-linked gilts (among other inflation-indexed assets and other assets) to hedge against inflation-linked liabilities. Most responses from liability driven investors (LDI) came from the trustees of DB pension schemes whose investment strategies involve using RPI-linked returns from index-linked gilts (as part of a wider portfolio) to match the benefits their scheme is required to pay out to members as and when they fall due.

67. The consultation also received responses from other LDIs, such as asset managers who invest on behalf of (typically smaller) DB pension schemes and insurance companies, who have typically 'bought out' well-hedged pension schemes.

68. **The extent to which a DB pension scheme will be impacted by reform will depend on the extent to which it is hedged and the nature of its liabilities.** A number of respondents outlined that the key drivers of the direction and scale of the impact will depend on the proportion of scheme assets that are held in index-linked gilts (and other RPI-linked assets), and whether the benefits the scheme is required to pay out are (broadly speaking) linked to the RPI or CPI.

69. **Some schemes will be no worse off from the change.** For instance, a perfectly-hedged scheme which uses index-linked gilts to match its RPI-linked liabilities might not be impacted. Dependent on scheme rules, the total value of its RPI-linked liabilities will fall in line with the reduction in the total value of the scheme's assets with minimal impact to the scheme's funding position.

70. **However, some DB pension schemes will see a negative impact on their funding positions.** The majority of responses from DB pension schemes came from well-hedged schemes with CPI-linked liabilities.

These respondents noted that, owing to their hedging of liabilities with RPI-linked assets (a substantial proportion of which are index-linked gilts), reform will see the total value of their assets fall while the total value of their liabilities will remain unchanged.

71. **For these DB schemes, a deterioration in their funding position means that existing deficits may increase, or that surpluses may be reduced.** For schemes already in deficit, either the length of the recovery plan or the amount a sponsoring employer is required to contribute each year may increase. The impact may also hasten the speed at which schemes wind down.

72. **However, DB pension schemes with CPI-linked liabilities are in a minority.** A small number of respondents noted around a third of DB scheme benefits are liked to CPI, with much of the negative impact on schemes overall falling on schemes with purely CPI-liabilities. It is worth noting that some DB pension schemes have some liabilities linked to CPI and other liabilities linked to the RPI, so the interaction can be complex.[12]

73. **Not all of the impact of reform on DB pension schemes will be driven by the change in returns from index-linked gilts.** Dependent on their investment strategy, DB pension schemes invest in a range of RPI-linked assets. A small number of respondents noted that DB schemes hold a mixture of index-linked bonds (primarily government index-linked gilts) and other instruments such as swaps and index-linked gilt purchase agreements.

74. **Investors not seeking to match liabilities will face a reduced return from their holdings of index-linked gilts.** Such investors include international investors who hold index-linked gilts as part of a global inflation-linked portfolio or for the purposes of offsetting investments in sterling assets. A small proportion of index-linked gilts in issue were purchased by individuals.

75. **The vast majority of index-linked gilt investors who responded noted a strong preference for the Authority's proposal to be implemented as late as possible, i.e. in 2030.** This argument was made on the basis

[12] For example, it could be the case that revaluation of pensions in deferment and indexation of pensions in payment are linked to different indices.

the earlier that the reform is implemented, the greater the total impact. Given this, respondents argued for reform to be implemented as late as possible, in order to allow index-linked gilt holders as much time as possible to adjust to reform of the RPI and to minimise any potential negative impacts they face.

76. **A number of respondents noted that it was unlikely that the option for holders of the 4 1/8% IL 2030 gilt to require their holdings to be redeemed early would be exercised if offered.** Many respondents noted only one of the relevant index-linked gilts would still be in issue during the interval in which reform could be implemented. Even if reform were implemented prior to 2030, respondents noted the likely offered redemption price would remain far below the market value of this specfic index-linked gilt. As such, it was noted rational investors would be highly unlikely to exercise their option to redeem their index-linked gilt.

4.4 The Chancellor's view on the timing of reform

77. In coming to a view on the timing of reform, the Chancellor considered the evidence against those factors likely to be relevant to his decision and on which the consultation sought evidence (as outlined above). Specifically, the impact of reform on the holders of index-linked gilts, the index-linked gilt market, and the consequent impacts on the public finances.

78. This included that the holders of index-linked gilts that mature after the point of implementation will face reduced returns. Therefore, the earlier reform is implemented, the greater total impact on investors in index-linked gilts.

79. This also included that it is clear that if reform were to be implemented in 2030, there should not be an impact to the holders of the final specific (relevant) index-linked gilt. If implemented before 2030, however, there is an increasing likelihood that the Treasury may be required (owing to the redemption clauses in these index-linked gilts) to offer to redeem the gilts. If such requests were made, this could in turn increase the government's financing requirement, representing a direct cost to the Exchequer. The findings of the consultation, however, suggest that rational investors would be highly unlikely to exercise this option given current market prices.

80. **Having considered all of the relevant factors, on 23 October 2020 the Chancellor wrote to the Authority Chair. In his letter, the Chancellor**

noted that, like his predecessor, he could see the statistical arguments of the Authority's intended approach to reform the RPI. However, having considered the responses submitted to the consultation, and having assessed the evidence against the factors set out above, in order to minimise the impact of the Authority's proposal on the holders of index-linked gilts, the Chancellor noted that he will be unable to offer his consent to the implementation of such a proposal before the maturity of the final specific index-linked gilt in 2030.

4.5 Calls for further mitigation of the impact of reform

81. It is clear to the government that the Authority's approach to reform the RPI will have widespread impacts, with the scale and direction of these impacts differing by user. As noted, the holders of index-linked gilts maturing after the date of implementation face reduced returns and the vast majority of index-linked gilt holder respondents called for reform to be implemented as late as possible. In addition, virtually all of these same respondents called for further mitigation in the form of compensation.

82. As outlined in his 23 October 2020 letter to the Authority Chair, having considered the responses to the consultation (in light of the relevant impacts he could consider) in order to minimise the impact of reform on index-linked gilt holders, the Chancellor has noted that he will be unable to offer his consent to the Authority's proposal before the maturity of the final specific index-linked gilt in 2030.

83. On the calls for further mitigation, **the government will not offer compensation to the holders of index-linked gilts.** The contractual terms of all index-linked gilts state that the RPI should be used to determine the index ratio, which is used to calculate interest and redemption payments. There is no change to this flowing from the implementation of the Authority's reform.

5. Implementing the Authority's proposal

84. As detailed in Section 3, the Authority has finalised its proposed approach to bring the methods and data sources of CPIH into the RPI. In addition, as detailed in Section 4, the Chancellor has written to the Authority Chair notifying him that he intends to withhold his consent during the remaining life of the specific index-linked gilts.

85. It is the Authority's policy to address the shortcomings of the RPI in full at the earliest practical time. Given the Chancellor's position, on 5 November 2020, the Authority Chair wrote to the Governor of the Bank of England to seek the greatest degree of clarity possible on the respective obligations of the Bank of England and the Authority under the Act were the methods and data sources of CPIH to be brought into the RPI in February 2030.

86. On 13 November 2020, the Deputy Governor for Monetary Policy replied to the Authority Chair confirming that from 2030 the proposed change to the RPI should not have a materially detrimental impact on the interests of relevant index-linked gilt holders.[13] In such circumstances, the Authority is not required to seek the consent of the Chancellor for the proposed change.[14]

87. In light of the clarification provided by the Bank of England, and given the Authority's position to address the shortcomings in the RPI in full at the earliest practical time, on 20 November 2020, the Authority Chair replied to the Chancellor informing him that the Authority would be able to legally and practically implement its proposal to the RPI in February 2030.

88. The exchange of letters referenced in this section has been published alongside this response on the government and Authority websites.

[13] The Bank of England based its assessment on the assumptions that "no changes are made to the relevant legislation" and that the "definition of 'relevant' index-linked gilts remains unchanged".
[14] Pursuant to s21(3) SRSA 2007.

6. The broader impacts of the Authority's proposal

6.1 The consultation

89. As outlined in the consultation document, in order to uphold the independence of the statistical system, and in the context of the Authority's proposal, in his decision on timing the Chancellor could only consider factors that are relevant under section 21 of the Act.

90. Similarly, the Authority's decision-making process on the proposal to address the shortcomings of the RPI must be based on its assessment of the statistical integrity of the RPI. This is made clear in section 7 of the Act, which sets out the Authority's 'objective of promoting and safeguarding the production and publication of official statistics.'

91. However, both the government and the Authority are mindful of the potentially wide-ranging impacts of reform to the RPI and of their responsibilities as public sector bodies to consider these impacts in future policy making. As such, the consultation sought views on these broader impacts by asking:

    Question 5: What other impacts might the proposed changes to address the shortcomings of the RPI have in areas or contracts where the RPI is used?

    Question 6: Are there any other issues relevant to the proposal the Authority is minded to make of which the Authority or the Chancellor ought to be aware?

92. In addition, it should also be noted that when formulating a policy proposal, the government is required to have due regard to the Public Sector Equality Duty as laid out in the Equality Act 2010. The duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities. In making its decision (with regard to the timing of reform), the government has had due regard to and complied with the requirements of this duty.

6.2 Responses

93. The majority of responses to the consultation addressed the broader impacts of reform. The responses made clear that the RPI is used widely

in the economy by individuals, businesses, and government. Broadly speaking, responses to the consultation outlined the impact of reform on two areas of use of the RPI: first, in private arrangements and contracts, and second, by government.

6.3 Use of the RPI in private arrangements and contracts

94. Inflation indices are used widely in contractual terms and other arrangements to reflect the rise in the general level of prices over time.

Defined Benefit pensions

95. The Pensions Policy Institute (PPI) estimates that 64% of DB pension schemes use the RPI in the calculation of member benefits. There were approximately 550 responses from the members of DB pension schemes whose benefits are linked to the RPI.

96. The effect of reform on members of DB pension schemes will depend on whether their benefits are linked to the RPI under the trust deed and rules of the member's scheme. Different indices can be used for the uprating of pensions in payment and for the revaluation of pensions in deferment, even within the same scheme. According to the PPI, 56% of schemes revalue deferred pensions by CPI, of which 54% cap the increases. In its response, the PPI states that members whose benefits are revalued or increase in payment by CPI are unlikely to see a substantive change due to RPI reform as CPI and CPIH tend to inflate at a similar rate over time.

97. The vast majority of responses noted, however, that reform, whenever implemented, would result in a reduction in the lifetime benefits an individual with a RPI-linked DB pension would receive. In their response, the PPI estimates that, if the Authority's proposal is implemented in 2030, the average reduction in lifetime income from an individual's RPI-linked pension post-retirement could be 4 per cent for a woman and 5 per cent for a man[15]. However, the PPI estimates that women will generally experience a greater lifetime reduction in overall pension benefit, as they live longer than men, on average. Deferred members (i.e. those who have ceased contributing to the scheme but have not yet received their pension) with benefits linked to the RPI are likely to experience an even greater reduction in benefits, as both increases to deferred benefits and

[15] This is based on Pensions Policy Institute modelling for an individual who is aged 65 in 2020.

increases to pensions in payment will be lower than they would have been without the change.

Financial instruments

98. The consultation highlighted the widespread use of the RPI in complex financial instruments such as derivatives and swaps. Network Rail currently has c.£19 billion (uplifted par value) of index-linked bonds outstanding. As outlined in Section 4, these instruments are often held alongside index-linked gilts to match inflation-linked liabilities.

99. Respondents noted that reform will, dependent on the terms of instruments' contracts, result in reduced returns for the holders of such derivatives (and in turn a reduction in their market value.) In many responses from DB pension schemes, it was noted that the impact on RPI-linked derivatives will be analogous to the impact on index-linked gilts. As many such derivatives are held alongside index-linked gilts, it is likely that impacts on the funding positions of such schemes will be compounded by the holding of RPI-linked derivatives.

Property and infrastructure

100. A small number of respondents noted the commonplace use of the RPI in long-lease real estate and ground rent contracts. Likewise, a small number of respondents noted that the RPI is likely used in regulated utilities, private finance initiative contracts and renewable assets. Respondents noted that reform will likely reduce the size of future payments dictated by the terms of these contracts.

6.4 The use of the RPI by government

101. Alongside its use as the reference rate in the index-linked gilts, the government uses the RPI to revalorise some taxes, to determine changes in rail fares, and to calculate the rate of interest on student loans. At Budget 2018, the government committed to not introduce new uses of the RPI.

102. The government received a small number of responses outlining the impact of reform on the government's uses of the RPI (aside from index-linked gilts). These respondents noted that some users of the RPI (such as those repaying student loans) were likely to be better off as a result of reform.

6.5 The government and Authority's response to the broader impacts of reform

103. The government and Authority are mindful of the widespread use of the RPI in the economy and of their responsibilities as public sector bodies to consider the impacts of reform in future policy making.

104. In particular it is apparent that some DB pension scheme members will be affected by the Authority's reform of the RPI. The announcement in this response by the Chancellor and Authority Chair means that reform will not be implemented before 2030. The government keeps the occupational pensions system under review and will continue to do so.

105. The Authority has set out "use cases" for each of its consumer price inflation statistics in the article, Measuring changing prices and costs for consumers and households. The information gathered on the broader impacts of the Authority's proposal will be important in informing the development of these use cases under the reform. Additionally the information will inform the Authority's ambitious programme of work for improving its range of consumer price inflation statistics. This includes plans to incorporate innovative new data sources - such as scanner data and web scraped data - into the CPIH and CPI in 2023, and the introduction of the Household Costs Indices, which aim to reflect changing prices and costs as experienced by different household groups.

Annex A: Worked example of how CPIH methods and data sources will be introduced into the RPI

This worked example illustrates how addressing the shortcomings of the RPI using improved data sources and methods from CPIH practice would have been brought into the RPI had the change been implemented in February 2017.

Notation

$RPI_{Index}(m\ y)$	The RPI index for month m in year y calculated on the current methodological basis
$RPI^{*}_{Index}(m\ y)$	The RPI index for month m in year y calculated using CPIH methods
$RPI^{*}_{1M-rate}(m\ y)$	The RPI 1-month growth rate for month m of year y, where the RPI index for month m has been calculated using CPIH methods
$RPI^{*}_{12M-rate}(m\ y)$	The RPI 12-month (annual) growth rate for month m of year y, where the RPI index for month m has been calculated using CPIH methods
$Agg_{Index}(m\ y)$	The unlinked aggregate index for month m in year y constructed from CPIH methods and data

The data in Table 2 are based on published data from the RPI and CPIH tables in 2016, 2017 and 2018. For ease of interpretation, figures are rounded to 1 decimal place. The orange highlighted cells in the table refer to RPI values that have been calculated using the CPIH methods and data sources. We refer to the RPI calculated in this way as RPI* in the following discussion. The 'unlinked aggregates' in the table are calculated using CPIH methods and data. Unlinked aggregates are a basic component of long-run price index calculations. They are calculated by taking the expenditure weighted sum of lower-level indices over the recent short-run series. The long-run price index is then extended with the unlinked aggregate through a calculation known as chain linking.[16]

[16] For more information please refer to our Consumer Price Indices Technical Manual: https://www.ons.gov.uk/economy/inflationandpriceindices/methodologies/consumerpricesindicestechnicalmanual2019

Table 2: Published RPI and CPIH estimates

	Feb 16		Jan 17	Feb 17		Feb 18
RPI index	260.0		265.5	267.1		273.6
RPI 1-m growth	…		…	0.6%		…
RPI 12-m growth	…		…	2.7%		2.4%
CPIH index	100.1	⋮	101.8	102.4	⋮	…
Unlinked aggregates (CPIH methods & data)	…	⋮	100.0	100.6	⋮	…
CPIH 1-m growth	…		…	0.6%		…
CPIH 12-m growth	…		…	2.3%		2.4%

For the index series we want to chain link the unlinked aggregates, which use CPIH methods and data sources, to the RPI from February 2017. This involves taking the growth in the unlinked aggregates between January and February 2017, and applying it to the January 2017 RPI index value. This is done as follows:

$$RPI^{*}_{Index}(Feb\ 17) = RPI_{Index}(Jan\ 17) \times \frac{Agg_{Index}(Feb\ 17)}{Agg_{Index}(Jan\ 17)}$$

$$= 265.5 \times \frac{100.6}{100.0}$$

$$= 267.1.$$

Users should note that, despite introducing CPIH methods and data sources into the RPI, the index values are different. This is because the two indices were at different levels to begin with.

However, the monthly growth in both series is exactly the same from the point of introduction.

Because of this the CPIH and RPI* series will share the same monthly growth rates from the point of implementation:

$$RPI^{*}_{1M-rate}(Feb\ 17) = \left(\frac{RPI^{*}_{Index}(Feb\ 17)}{RPI_{Index}(Jan\ 17)} - 1\right) \times 100\%$$

$$= \left(\frac{267.1}{265.5} - 1\right) \times 100\%$$

$$= 0.6\%.$$

However, the annual growth rates will initially differ from the point of implementation:

$$RPI^{*}_{12M-rate}(Feb\ 17) = \left(\frac{RPI^{*}_{Index}(Feb\ 17)}{RPI_{Index}(Feb\ 16)} - 1\right) \times 100\%$$

$$= \left(\frac{267.1}{260.0} - 1\right) \times 100\%$$

$$= 2.7\%,$$

which is not the CPIH annual growth rate for February 2017. The reason the annual growth rates for the CPIH and the RPI* (which is the RPI including the more robust methods and data sources of the National Statistic, the CPIH) differ is because they do not share the same denominator. The date from which CPIH and RPI* annual growth rates will converge is January 2018, since January is the link month, and then February is the first date on which both the numerator and the denominator in the equation will be calculated on the basis of CPIH methods.

For example, for February 2018, and given a February 2018 RPI* index value of 273.6 (calculated using the method described above), we derive the annual growth as:

$$RPI^{*}_{12M-rate}(Feb\ 18) = \left(\frac{RPI^{*}_{Index}(Feb\ 18)}{RPI^{*}_{Index}(Feb\ 17)} - 1\right) \times 100\%$$

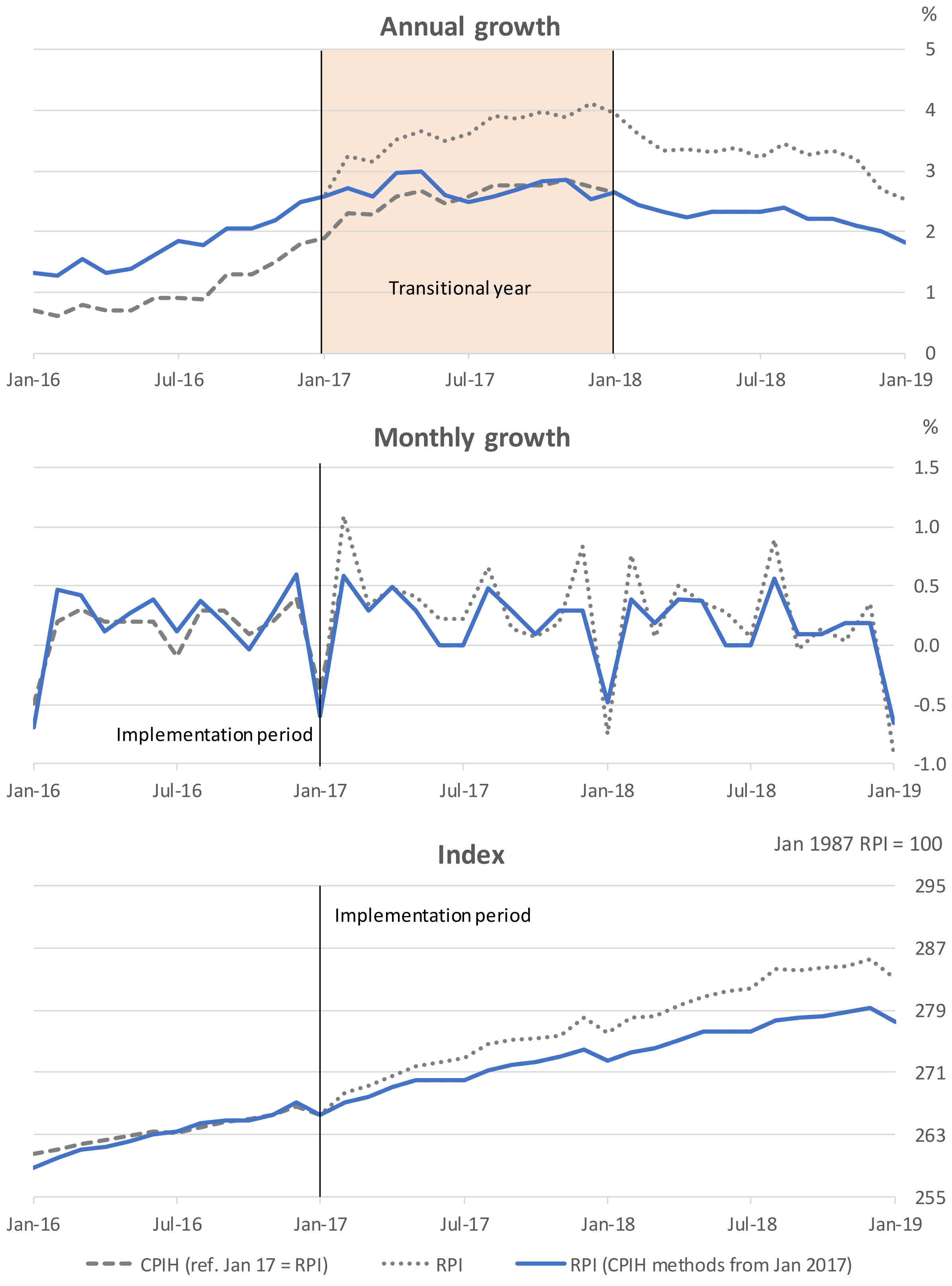
$$= \left(\frac{273.6}{267.1} - 1\right) \times 100\%$$

$$= 2.4\%,$$

which is the same as the CPIH annual growth rate in Table 2.

Therefore, following the transition, monthly growth rates for the RPI and the CPIH will be the same, whereas annual growth rates will converge after the first year. Whilst the RPI and CPIH index values will not match, the growth in the two indexes will be identical from the implementation date. This is illustrated in Figure 3.

Figure 3: Impact on a) 12-month % growth b) 1-month % growth and c) index values, 2017 implementation



Annex B: Method of analysis (questions 1, 7 and 8)

Thematic Analysis was conducted for the Authority's questions. This involved 2 steps:

Step 1 (Qualitative): The responses were initially reviewed to identify recurring themes. This step is known as "deductive thematic analysis". Around 30 themes were drawn out (including for questions 5 and 6, which were also analysed to allow the broader themes across the questions to be drawn out). Responses were split into random allocations of 20 and assigned across the Authority's Prices team, who classified responses according to their key themes.

Step 2 (Quantitative): The thematic analysis was then brought together to produce a large data set of responses. This allowed a quantitative analysis to be conducted, using counts of each theme. Chi-square tests of association were also performed; however, no statistically significant associations between responses (at the 5% level) were identified.

The figures presented in Section 3 are based on the thematic analysis dataset. Due to the subjective nature of recording themes, figures should be considered estimates and, as such, there may be some minor error associated with them. To allow the quality of recording to be assessed, and also to minimise errors by controlling for some of the subjectivity in the process, 9 allocations were assigned twice at random.

Annex C: Guidance for users of RPI sub-indices

In Section 3, it was explained how, as a result of bringing the methods and data sources of the CPIH into the RPI, only the all-items RPI will continue to be published. Other supplementary and lower-level RPI indices will be discontinued. This annex provides guidance to help users move from RPI-based supplementary and lower-level indices to the most appropriate CPIH-based measures. Like all consumer price inflation statistics, it is sometimes necessary to bring new items into the CPIH basket, remove old items, or update the classification structure to align with international standards. Therefore this guidance will be updated as and when required.

In 2017 changes were made to RPI supplementary and related indices, reflecting RPI's status as a legacy measure. This followed UK Consumer price statistics: a review by Paul Johnson, which recommended that "RPI should be considered a legacy measure to be used only where contractually required… the Authority should look to phase out production of the RPI in consultation with users… [and] ONS should consult on discontinuing RPIJ". The following related indices were therefore discontinued:

- RPIJ (RPI constructed with the Jevons formula in place of the Carli formula)
- Tax and Prices Index (TPI)
- RPI excluding mortgage interest payments and indirect taxes (RPIY)
- RPI pensioners' indices
- The Rossi index

The following indices continue to be published. However, once the methods and data sources of the CPIH are brought into the RPI, they will also be discontinued:

- RPI excluding mortgage interest payments (RPIX)
- RPI special aggregates (including goods and services indices)
- RPI lower level sub-components (these are the "building blocks" that aggregate to the all-items RPI

To aid users in moving away from supplementary RPI series and special aggregates, Table 3 is provided to direct users towards the closest available CPIH alternative. In most cases this is a supplementary CPIH index that is equivalent to its RPI counterpart. However, there are some instances when there is no direct equivalent.

Table 3: RPI supplementary measures and CPIH equivalents

RPI supplementary index		CPIH equivalent index[17]	
CDID*[18]	**RPI index description**	**CDID***	**CPIH index description**
CHBY	RPI consumer durables	L5KK and L5KL	CPIH durables and CPIH semi-durables
CHBP	RPI seasonal food	L5JH	CPIH seasonal food
CHBB	RPI non-seasonal food	L5KJ	CPIH non-seasonal food
CHAX	RPI all items excluding seasonal food	L5KC	CPIH excluding seasonal food
CHAY	RPI all items excluding food	-	Currently no direct CPIH equivalent, but bespoke index can be created if there is sufficient user need
DOBH	RPI beer	L52X J2VJ	CPIH beer off-sales. On-sales of beer are included under Restaurants, cafes and dancing establishments
DOBK	RPI wines and spirits	L52V and L52W, *OR* L52U J2VJ	Separate indices for off-sales of CPIH spirits and CPIH wine *OR* CPIH alcoholic beverages off-sales group. On-sales are included under Restaurants, cafes and dancing establishments
CHOL	RPI petrol and oil (including fuel oil)	L549 and L53G	CPIH (motor) fuels and lubricants, and CPIH liquid fuels
CHOK	RPI other goods: *DIY materials, coal and solid fuels, household goods, clothing & footwear, personal articles, chemists' goods, purchase of motor vehicles and leisure goods.*	-	Currently no direct CPIH equivalent, but bespoke index can be created if there is sufficient user need
CHOF	RPI all goods	L52F	CPIH all goods
CHOH	RPI utilities: *Water, Electricity, Gas, Postage, Telephone charges and Rail fares*	L53A and L53D and L54H and L54I	CPIH water supply and miscellaneous services for the dwelling, and CPIH electricity, gas and other fuels, and CPIH postal services, and CPIH telephone and telefax equipment and services
CHOI	RPI shop services: *catering, repairs and maintenance charges, domestic services, personal services, maintenance of motor vehicles, TV licence and rentals, and entertainment and recreation charges.*	-	Currently no direct CPIH equivalent, but bespoke index can be created if there is sufficient user need
CHOJ	RPI non-shop services: *dwelling insurance and ground rent, fees and subscriptions, vehicle tax and insurance, bus and coach fares, other travel costs, foreign holidays and UK holidays.*	-	Currently no direct CPIH equivalent, but bespoke index can be created if there is sufficient user need (as close as possible – some RPI indices are not included in CPIH, for example dwelling insurance and ground rent)

[17] The article The Consumer Prices Index: goods and services indices and special aggregates describes the composition of CPI-based special aggregates in more detail

[18] CDID is ONS's unique four-character identification code for individual time series. The digits themselves do not have any specific meaning.

CHOG	RPI all services	L52G	CPIH all services
CHMK	RPI all items index excluding mortgage interest payments (RPIX)	L522 *OR* CRQO	CPIH all items *OR* CPIH excluding OOH (depending on whether one wishes to exclude interest payments or all owner-occupied housing costs)
CHAZ	RPI all items index excluding housing	L5KH	CPIH all items excluding housing, water, electricity, gas and other fuels (OOH is also excluded, but this is measured on a different basis in CPIH)
DQAD	RPI all items excluding mortgage interest payments & council tax	CRQP	CPIH excluding OOH and council tax/rates
CHON	RPI all items excluding mortgage interest payments and depreciation	CRQO	CPIH excluding OOH

For users of lower-level RPI indices, a mapping between the classification structures of the RPI, which is based on a unique UK classification structure, and the CPIH, which is based on the international Classification of Individual Consumption by Purpose (COICOP) is provided in Table 4. The mapping is provided between RPI 4-digit sections and CPIH COICOP4 classes, and is designed to show the level of comparability and point users to the most similar CPIH equivalent.

CPIH equivalents have been presented as a COICOP4 class or classes, as this allows for the greatest transferability. Lower level COICOP5 subclasses would result in many exact like for like equivalents; however, overall there would be far more RPI indices that would not have an equivalent. COICOP4 provides a good balance, and where CPIH alternatives are not an exact match, they will contain the RPI equivalent and should provide a better conceptual replacement.

Where there is no equivalent, this is primarily due to the absence of the section in question; for example, Mortgage Interest Payments, which are not included in CPIH (owner occupiers' housing costs are instead captured through the use of an equivalent rent). However, by the time that reform to RPI is implemented, the Houseshold Costs Indices will be badged as National Statistic measures, and these will provide an appropriate replacement for the omitted sections. We will provide further information on these in due course.

Table 4 shows RPI 4-digit sections and which CPIH COICOP4 class or classes they correspond to. Each RPI section is comprised of a group of similar basket items. Each CPIH class similarly comprises a group of basket items. However RPI sections and CPIH classes are not defined in the same way, so that a typical comparable CPIH class may have some items in common with an RPI section and some items that are not common. There may also be items from the RPI section that do not fall into this comparable CPIH class.

Therefore, to assist users in identifying the best lower-level CPIH index to use, we have provided a *Relevance score* in Table 4. In this column each class is given a score between 0 and 1. This shows the weighted proportion of items that overlap between the RPI section and the comparable CPIH class. Because we want to indicate how much of the CPIH class is comparable, the calculation uses 2020 CPIH item weights.

This score indicates the amount of overlap (by weight). A score of 1 indicates that the CPIH class is solely comprised of a subset of items from the comparable RPI section. A score of less than 1 indicates that a proportion of the CPIH class is comprised of items that do not belong to the comparable RPI section. The score shows how relevant the comparable CPIH class is to (a subset of) the RPI section.

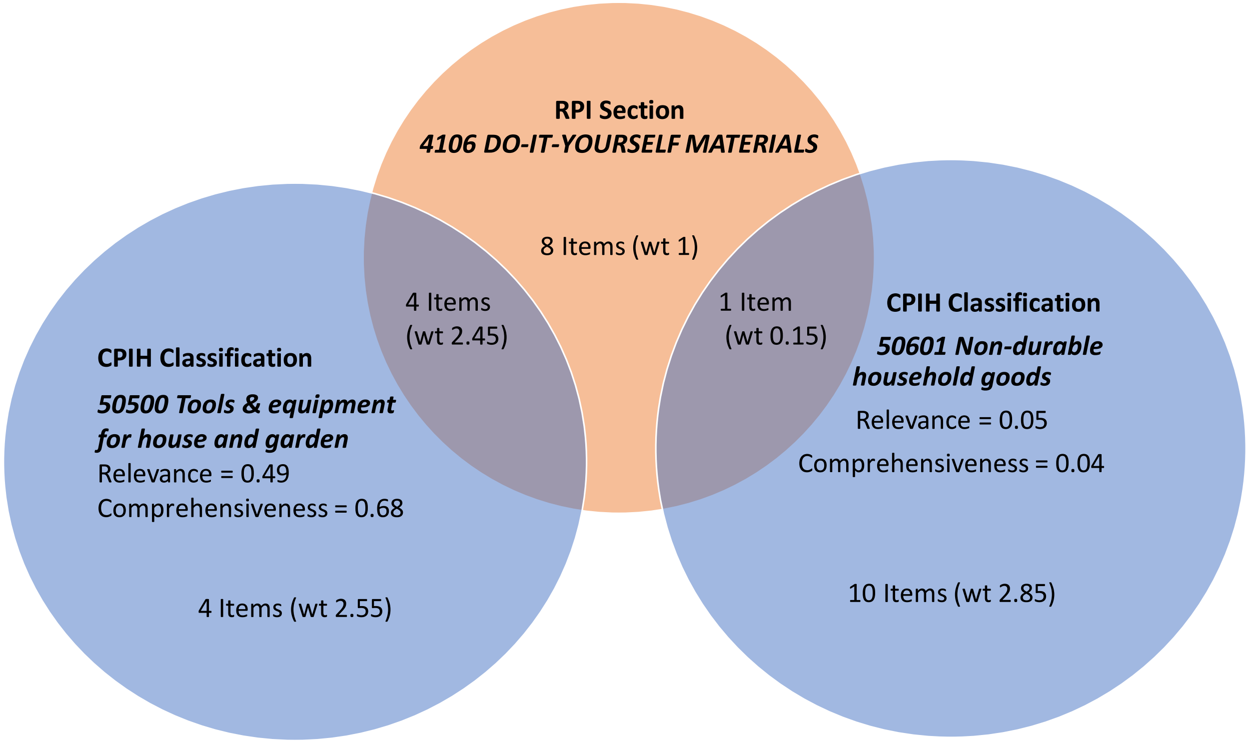
The *Comprehensiveness score* provides an indication of how much of the weight is captured by each comparable CPIH class. The 'CPIH Section weight' column gives the weight of the RPI section, expressed using CPIH weights (parts per thousand). The comprehensiveness score is a proportion that can be applied to this CPIH Section total. This will allow users to identify how comprehensive the comparable CPIH class is in relation to the RPI section.

In the case of one-to-one mappings, users could simply use the direct CPIH equivalent. In the case of one-to-many mappings, users may either select the most appropriate equivalent for their purposes, or sum the equivalent CPIH classes using the CPIH class weights[19] provided in the Consumer Price Inflation, UK bulletin.

The *Relevance* and *Comprehensiveness* scores are illustrated in the Venn diagram in Figure 4. The Venn diagram shows two of the CPIH classes that the RPI Section 4106 *Do-it-yourself materials* maps to: 5.5 *Tools and equipment for house and garden*, and 5.6.1 *Non-durable household goods*.

[19] For more information on index construction please refer to the Consumer Price Indices Technical Manual, 2019

Figure 4: Illustration of the calculation of relevance and comprehensiveness scores



There are 8 + 1 + 4 = 13 items in RPI 4106, 4 + 4 = 8 items in CPIH 5.5, and 1 + 10 = 11 items in CPIH 5.6.1. There are 4 items which feature in both RPI 4106 and CPIH 5.5, and 1 item which features in both RPI 4106 and CPIH 5.6.1.

The *Relevance Score* for 5.5 Tools and equipment for house and garden is calculated using the weight of the intersection divided by the weight of the class: 2.45 / (2.45 + 2.55) = 0.49. The *Comprehensive Score* is calculated by dividing the weight of the intersection by the weight of the RPI section: 2.45 / (2.45 + 1 + 0.15) = 0.68.

Note that the remaining 8 items in the RPI Section are perfectly captured by the CPIH class 4.3.1 *Materials for maintenance and repair*, which has not been included on the diagram. This class contains exactly the same 8 items and no more. This implies that its *Relevance Score* would be 1. Diagrammatically, a Class with a *Relevance Score* of 1 would sit inside the corresponding RPI Section circle. A Class with a *Comprehensiveness Score* of 1 implies the opposite: that the RPI Section circle would sit inside the CPIH Class.

Table 4: Mapping between RPI Sections and CPIH classes

RPI section CPIH Classification	**RPI section** CPIH Classification	**Relevance Score**	**Comprehensive-ness Score**	**CPIH Section Weight**
2101	**BREAD**			**2.99**
10101	01.1.1 Bread and cereals	0.23	1	
2102	**CEREALS**			**4.36**
10101	01.1.1 Bread and cereals	0.31	0.92	
10107	01.1.7 Vegetables including potatoes and tubers	0.03	0.08	
2103	**BISCUITS & CAKES**			**4.81**
10101	01.1.1 Bread and cereals	0.37	1	
2104	**BEEF**			**1.82**
10102	01.1.2 Meat	0.13	1	
2105	**HOME-KILLED LAMB**			**1.12**
10102	01.1.2 Meat	0.08	1	
2106	**IMPORTED LAMB**	Link	Discontinued	**0**
2107	**PORK**			**0.7**
10102	01.1.2 Meat	0.05	1	
2108	**BACON**			**1.68**
10102	01.1.2 Meat	0.12	1	
2109	**POULTRY**			**1.96**
10102	01.1.2 Meat	0.14	1	
2110	**OTHER MEAT**			**6.72**
10102	01.1.2 Meat	0.48	1	

2111	**FRESH FISH**			**1.38**
10103	01.1.3 Fish	0.46	1	
2112	**PROCESSED FISH**			**1.62**
10103	01.1.3 Fish	0.54	1	
2113	**BUTTER**			**0.74**
10105	01.1.5 Oils and fats	0.37	1	
2114	**OILS & FATS**			**1.26**
10105	01.1.5 Oils and fats	0.63	1	
2115	**CHEESE**			**2.24**
10104	01.1.4 Milk, cheese and eggs	0.28	1	
2116	**EGGS**			**0.8**
10104	01.1.4 Milk, cheese and eggs	0.1	1	
2117	**MILK**			**2.48**
10104	01.1.4 Milk, cheese and eggs	0.31	1	
2118	**MILK PRODUCTS**			**2.48**
10104	01.1.4 Milk, cheese and eggs	0.31	1	
2119	**TEA**			**0.66**
10201	01.2.1 Coffee, tea and cocoa	0.33	1	
2120	**SOFT DRINKS**			**6**
10202	01.2.2 Mineral waters, soft drinks and juices	1	1	
2121	**SUGAR & PRESERVES**			**1.17**
10108	01.1.8 Sugar, jam, syrups, chocolate and confectionery	0.13	1	
2122	**SWEETS & CHOCOLATES**			**6.57**

10108	01.1.8 Sugar, jam, syrups, chocolate and confectionery	0.73	1	
2123	**UNPROCESSED POTATOES**			**0.77**
10107	01.1.7 Vegetables including potatoes and tubers	0.07	1	
2124	**POTATO PRODUCTS**			**3.19**
10107	01.1.7 Vegetables including potatoes and tubers	0.29	1	
2125	**FRESH VEGETABLES**			**4.73**
10107	01.1.7 Vegetables including potatoes and tubers	0.43	1	
2126	**PROCESSED VEGETABLES**			**1.32**
10107	01.1.7 Vegetables including potatoes and tubers	0.12	1	
2127	**FRESH FRUIT**			**7.29**
10106	01.1.6 Fruit	0.81	1	
2128	**PROCESSED FRUIT**			**1.71**
10106	01.1.6 Fruit	0.19	1	
2129	**OTHER FOODS**			**5.09**
10101	01.1.1 Bread and cereals	0.09	0.23	
10107	01.1.7 Vegetables including potatoes and tubers	0.06	0.13	
10108	01.1.8 Sugar, jam, syrups, chocolate and confectionery	0.14	0.25	
10109	01.1.9 Food products (not elsewhere covered)	1	0.39	
2130	**COFFEE & OTHER HOT DRINKS**			**1.34**
10201	01.2.1 Coffee, tea and cocoa	0.67	1	

2201	**RESTAURANT MEALS**			**22.94**
110101	11.1.1 Restaurants & cafes	0.31	1	
2202	**CANTEEN MEALS**			**6**
110102	11.1.2 Canteens	1	1.00	
2203	**TAKEAWAYS & SNACKS**			**19.24**
110101	11.1.1 Restaurants & cafes	0.26	1.00	
3101	**BEER "ON" SALES**			**14.8**
110101	11.1.1 Restaurants & cafes	0.2	1.00	
3102	**BEER "OFF" SALES**			**4.77**
20102	02.1.2 Wine	0.11	0.16	
20103	02.1.3 Beer	1	5.19	
3103	**WINES & SPIRITS "ON" SALES**			**16.28**
110101	11.1.1 Restaurants & cafes	0.22		
3104	**WINES & SPIRITS "OFF" SALES**			**11.23**
20101	02.1.1 Spirits	1	0.45	
20102	02.1.2 Wine	0.89	0.55	
3201	**CIGARETTES**			**14.08**
20200	02.2 Tobacco	0.88	1.00	
3202	**OTHER TOBACCO**			**1.92**
20200	02.2 Tobacco	0.12	1.00	
4101	**RENT**			**230.04**
40100	04.1 Actual rentals for housing	0.96	1.00	
4102	**MORTGAGE INTEREST PAYMENTS**	No equivalent*		**0**
4103	**COUNCIL TAX**			**27**

40900	04.9 Council tax and rates	1	1.00	
4104	**WATER CHARGES**			**9**
40401	04.4.1 Water supply	1	0.44	
40403	04.4.3 Sewerage collection	1	0.56	
4105	**REPAIRS AND MAINTENANCE CHARGES**			**1**
40302	04.3.2 Services for maintenance and repair	1	1.00	
4106	**DO-IT-YOURSELF MATERIALS**			**3.6**
40301	04.3.1 Materials for maintenance and repair	1	0.28	
50500	05.5 Tools and equipment for house and garden	0.49	0.68	
50601	05.6.1 Non-durable household goods	0.05	0.04	
4107	**DWELLING INSURANCE AND GROUND RENT**	No equivalent*		**0**
4108	**HOUSE DEPRECIATION**		No equivalent*	**0**
4201	**COAL & SOLID FUELS**			**1**
40504	04.5.4 Solid fuels	1	1.00	
4202	**ELECTRICITY**			**15**
40501	04.5.1 Electricity	1	1.00	
4203	**GAS**			**9.8**
40502	04.5.2 Gas	0.98	1.00	
4204	**OIL & OTHER FUELS**			**1.2**
40502	04.5.2 Gas	0.02	0.17	
40503	04.5.3 Liquid fuels	1	0.83	
4301	**FURNITURE**			**13.72**
50101	05.1.1 Furniture and furnishings	0.98	1.00	

4302	**FURNISHINGS**			**9**
50102	05.1.2 Carpets and other floor coverings	1	0.33	
50200	05.2 Household textiles	1	0.67	
4303	**ELECTRICAL APPLIANCES**			**7.52**
50301	05.3.1/2 Major appliances and small electric goods	0.86	0.80	
80200	08.2/3 Telephone and telefax equipment and services	0.03	0.06	
120102	12.1.2/3 Appliances and products for personal care	0.06	0.14	
4304	**OTHER HOUSEHOLD EQUIPMENT**			**5.48**
50301	05.3.1/2 Major appliances and small electric goods	0.14	0.18	
50400	05.4 Glassware, tableware and household utensils	0.75	0.82	
4305	**HOUSEHOLD CONSUMABLES**			**9.32**
50500	05.5 Tools and equipment for house and garden	0.32	0.17	
50601	05.6.1 Non-durable household goods	0.95	0.31	
90503	09.5.3/4 Misc. printed matter, stationery, drawing materials	1	0.32	
120102	12.1.2/3 Appliances and products for personal care	0.11	0.20	
4306	**PET CARE**			**9**
90304	09.3.4/5 Pets, related products and services	1	1.00	

4401	**DOMESTIC SERVICES**			**26.07**
30104	03.1.4 Cleaning, repair and hire of clothing	1	0.04	
50303	05.3.3 Repair of household appliances	1	0.04	
50602	05.6.2 Domestic services and household services	1	0.19	
70204	07.2.4 Other services	0.07	0.03	
70302	07.3.2/6 Passenger transport by road and other transport services	0.25	0.08	
90105	09.1.5 Repair of audio-visual equipment & related products	1	0.04	
110101	11.1.1 Restaurants & cafes	0.01	0.03	
120301	12.3.1 Jewellery, clocks and watches	0.07	0.02	
120400	12.4 Social protection	0.77	0.50	
120700	12.7 Other services (not elsewhere covered)	0.07	0.03	
4402	**FEES & SUBSCRIPTIONS**			**48.31**
70204	07.2.4 Other services	0.03	0.01	
100000	10 Education	1	0.46	
120400	12.4 Social protection	0.14	0.06	
120502	12.5.2 House contents insurance	1	0.02	
120503	12.5.3/5 Health insurance and other insurance	0.24	0.01	
120602	12.6.2 Other financial services (not elsewhere covered)	1	0.14	
120700	12.7 Other services (not elsewhere covered)	0.93	0.3	
4403	**POSTAL CHARGES**			**1**

80100	08.1 Postal services	1	1.00	
4404	**TELEPHONE CHARGES**			**15.2**
80200	08.2/3 Telephone and telefax equipment and services	0.95	1.00	
5101	**MEN'S OUTERWEAR**			**9.88**
30102	03.1.2 Garments	0.26	1.00	
5102	**WOMEN'S OUTERWEAR**			**16.34**
30102	03.1.2 Garments	0.43	1.00	
5103	**CHILDREN'S OUTERWEAR**			**6.84**
30102	03.1.2 Garments	0.18	1.00	
5104	**OTHER CLOTHING**			**8.58**
30102	03.1.2 Garments	0.13	0.58	
30103	03.1.3 Other clothing and clothing accessories	0.91	0.42	
5105	**FOOTWEAR**			**8**
30200	03.2 Footwear including repairs	1	1.00	
5201	**PERSONAL ARTICLES**			**14.57**
50101	05.1.1 Furniture and furnishings	0.02	0.02	
50400	05.4 Glassware, tableware and household utensils	0.25	0.10	
60102	06.1.2/3 Other medical and therapeutic equipment	0.75	0.21	
80200	08.2/3 Telephone and telefax equipment and services	0.02	0.02	
120301	12.3.1 Jewellery, clocks and watches	0.93	0.45	
120302	12.3.2 Other personal effects	0.74	0.20	
5202	**CHEMISTS' GOODS**			**23.11**

60101	06.1.1 Pharmaceutical products	1	0.35	
60102	06.1.2/3 Other medical and therapeutic equipment	0.25	0.04	
120102	12.1.2/3 Appliances and products for personal care	0.83	0.61	
5203	**PERSONAL SERVICES**			**19.2**
60201	06.2.1/3 Medical services & paramedical services	1	0.23	
60202	06.2.2 Dental services	1	0.12	
60300	06.3 Hospital services	1	0.14	
90303	09.3.3 Gardens, plants and flowers	0.03	0.01	
120101	12.1.1 Hairdressing and personal grooming establishments	1	0.35	
120400	12.4 Social protection	0.09	0.07	
120503	12.5.3/5 Health insurance and other insurance	0.76	0.09	
6101	**PURCHASE OF MOTOR VEHICLES**			**41.28**
70102	07.1.2/3 Motorcycles and bicycles	0.5	0.02	
70181	07.1.1A New cars	1	0.46	
70191	07.1.1B Second-hand cars	1	0.34	
90201	09.2.1/2/3 Major durables for in/outdoor recreation & their maintenance	0.52	0.18	
6102	**MAINTENANCE OF MOTOR VEHICLES**			**25.96**
70201	07.2.1 Spare parts and accessories	1	0.15	
70203	07.2.3 Maintenance and repairs	1	0.81	

70204	07.2.4 Other services	0.08	0.04	
6103	**PETROL & OIL**			**25**
70202	07.2.2 Fuels and lubricants	1	1.00	
6104	**VEHICLE TAX & INSURANCE**			**9.42**
70204	07.2.4 Other services	0.63	0.80	
120504	12.5.4 Transport insurance	0.93	0.20	
6201	**RAIL FARES**			**9**
70301	07.3.1 Passenger transport by railway	1	1.00	
6202	**BUS & COACH FARES**			**3.28**
70302	07.3.2/6 Passenger transport by road and other transport services	0.41	1.00	
6203	**OTHER TRAVEL COSTS**			**16.62**
30103	03.1.3 Other clothing and clothing accessories	0.09	0.02	
70102	07.1.2/3 Motorcycles and bicycles	0.5	0.06	
70204	07.2.4 Other services	0.19	0.14	
70302	07.3.2/6 Passenger transport by road and other transport services	0.34	0.16	
70303	07.3.3 Passenger transport by air	1	0.24	
70304	07.3.4 Passenger transport by sea and inland waterway	1	0.12	
90201	09.2.1/2/3 Major durables for in/outdoor recreation & their maintenance	0.23	0.19	
120302	12.3.2 Other personal effects	0.26	0.06	
6301	**AUDIO-VISUAL EQUIPMENT**			**8.25**

90101	09.1.1 Reception and reproduction of sound and pictures	1	0.36	
90103	09.1.3 Data processing equipment	0.75	0.64	
6302	**CDs AND TAPES**			**6.45**
90103	09.1.3 Data processing equipment	0.25	0.27	
90104	09.1.4 Recording media	0.94	0.73	
6303	**TOYS, PHOTOGRAPHIC & SPORTS GOODS**			**24.62**
90102	09.1.2 Photographic, cinematographic and optical equipment	1	0.08	
90104	09.1.4 Recording media	0.06	0.01	
90201	09.2.1/2/3 Major durables for in/outdoor recreation & their maintenance	0.18	0.10	
90301	09.3.1 Games, toys and hobbies	1	0.65	
90302	09.3.2 Equipment for sport and open-air recreation	1	0.12	
90402	09.4.2 Cultural services	0.04	0.03	
6304	**BOOKS & NEWSPAPERS**			**6**
90501	09.5.1 Books	1	0.50	
90502	09.5.2 Newspapers and periodicals	1	0.50	
6305	**GARDENING PRODUCTS**			**5.8**
50500	05.5 Tools and equipment for house and garden	0.19	0.16	
90303	09.3.3 Gardens, plants and flowers	0.97	0.84	
6401	**TELEVISION LICENCES AND RENTALS**			**8**
90402	09.4.2 Cultural services	0.4	1.00	

6402	**ENTERTAINMENT & OTHER RECREATION**			**20.18**
90201	09.2.1/2/3 Major durables for in/outdoor recreation & their maintenance	0.07	0.05	
90401	09.4.1 Recreational and sporting services	1	0.40	
90402	09.4.2 Cultural services	0.56	0.56	
6403	**FOREIGN HOLIDAYS**			**30.74**
90600	09.6 Package holidays	0.9	1.00	
120504	12.5.4 Transport insurance	0.07	0.00	
6404	**UK HOLIDAY**			**20.36**
40100	04.1 Actual rentals for housing	0.04	0.23	
90600	09.6 Package holidays	0.1	0.29	
110200	11.2 Accommodation services	0.89	0.48	

***** This section has no direct equivalent in the CPIH framework. The experimental Household Costs Indices (HCIs) provides an equivalent owner occupiers' housing costs class. We aim for the HCIs to be badged as a National Statistic by Q1 2025.

Annex D: The government's engagement

106. In July 2020, the Economic Secretary to the Treasury held two roundtable events with index-linked gilt market participants to seek their views on the timing of the proposed reform. The first roundtable on 13 July 2020 was with representatives of the Gilt-Edged Market Makers (GEMMs). The second on 16 July 2020 was with a number of investors in index-linked gilts. A list of participants can be found in the annex.

107. Given that the consultation was open at the time of the roundtables, the Economic Secretary noted to participants that he would not be making any new statements on government policy.

108. The main points expressed by participants are summarised below.

Roundtable with the Gilt-Edged Market Makers – 13 July 2020

109. **The majority of participants stated a clear preference for the Authority's proposal to be implemented in 2030.** Many participants also noted that this was the preference of their clients who hold index-linked gilts. Reform being implemented as late as possible would allow more time for users of the RPI to adjust and it would minimise negative impacts. Many participants also noted that those who would be most negatively impacted would be those who used index-linked gilts to hedge against CPI-linked liabilities.

110. **The majority of participants called for the authorities to ensure that the conclusion of the consultation provides clarity on the future of the RPI.** Many participants noted that uncertainty surrounding the RPI has persisted for some years, even before the consultation was announced.

111. **Many participants called for the government to pre-announce the timing of when the decision would be made public.** The rationale was stated as being to ensure that investors in index-linked gilts have sufficient time to manage their portfolios in advance of an announcement being made.

112. **Most participants noted that the Authority's proposal made a stronger case for a CPI/CPIH-linked gilts to be issued.** Many GEMMs argued that the change in methodology of the RPI to bring the methods and data sources of CPIH into the RPI strengthened the

rationale for issuance of CPIH-linked gilts, at least as an intermediate step to the RPI being reformed.

Roundtable with index-linked gilt investors - 16 July 2020

113. **The majority of participants stated a clear preference for the Authority's proposal to be implemented in 2030.** Their preference for reform to be implemented as late as possible was so that it would maximise the time in which they could prepare for reform and minimise any negative impacts.

114. **The majority of participants noted that pension funds with CPI-liabilities would be worse off as a result of the proposed reforms.** Participants outlined how they had invested in index-linked gilts in order to match their liabilities in line with guidance. For pension schemes that have hedged CPI-liabilities with index-linked gilts, reform will see a negative impact to the funding position of the scheme. The cost of repairing the funding position would be ultimately borne by scheme sponsors.

115. **The majority of participants also argued that a reformed RPI should equal CPIH plus a margin and / or that compensation should be offered to gilt-holders.** Participants argued that the government and Authority could not ignore the economic impacts of the Authority's proposal and that an outcome, where the Authority's proposal is not amended or where compensation is not offered, would be unfair. Participants further noted that investors had bought index-linked gilts on the expectation that RPI growth rates would remain higher than CPI / CPIH. As such, participants argued that any margin or compensation should be equal to part or all of the long run wedge between the RPI and CPIH. However, participants' views differed on how a margin would be determined (or compensation offered), with suggestions ranging from a further consultation to setting up working groups.

116. **Additionally, the majority of respondents believed that the proposed reforms undermined guidance from the Pensions Regulator on how pension schemes should seek to hedge against inflation-linked liabilities.** They argued that the Pensions Regulator's guidance had been that pension funds exposed to inflation-linked liabilities should invest in inflation-linked assets. Participants noted that there is a relatively limited pool of inflation-linked assets in the UK suitable for pension fund investment. Some pension funds noted that

more bespoke instruments (such as CPI swaps) were unsuitable for pension funds to invest in.

117. **The majority of participants called for the government to ensure that the conclusion of the consultation provides clarity on the future of the RPI.** Participants noted that uncertainty on how the RPI would ultimately be reformed is more detrimental to certainty than the decision on when the Authority's proposal would be implemented.

118. **Participants also noted that it may be beneficial to the government to start a CPI/CPIH-linked gilt issuance programme.** Some participants also noted that bringing the methods and data sources of CPIH into the RPI strengthened the case for the government to start issuing CPIH-linked gilts.

Participants

GEMMs

BofA Merrill Lynch
Barclays
BNP Paribas
Citi
Deutsche Bank
Goldman Sachs International
HSBC
Jefferies International Ltd.
JP Morgan
Lloyds Bank Corporate Market
Morgan Stanley
NatWest Markets
Nomura
RBC CM
Santander
Toronto Dominion Securities
UBS Investment Bank

Index-linked gilt investors

Aberdeen Standard Investments
Aviva Investors
AXA Investment Management
BlackRock
BMO Global Asset Management
British Airways Pensions
British Telecom Pension Scheme Management
Hargreaves Lansdown
Insight Investment
ITB Pension Scheme
Kingfisher Pension Scheme
Legal & General
Leonardo
M&G Investments
Pension Protection Fund
Phoenix
Plumbing Pensions
Rothesay Life
Saul
Schroders Investment Management
Universities Superannuation Scheme

Annex E: Organisations that responded to the consultation

20-20 Trustee Services Ltd

Air Products Pension Plan

Airways Pension Scheme

Alpha Real Capital

Altro Group Plc

ANZ Pensions (UK) Limited

Aon Retirement Plan

ARC Benefits Limited

Arts Council Retirement Plan Trustees

Association of British Airway Pensioners

Association of British Insurers

Association of Consulting Actuaries

Association of Electricity Supply Pensioners

Association of Pension Lawyers

Association of Personal Injury Lawyers

Association of Real Estate Funds

Atomic Energy Authority Pension Scheme Campaign

Aviva

Aviva Staff Pension Scheme

B & CE Staff Pension Scheme

Babcock Pension Trust Ltd

Balfour Beatty Pension Fund

British Air Line Pilots' Association

Barclays Bank UK Retirement Fund

Barnett Waddingham LLP

BlackRock

BMO Global Asset Management

BP Pension Trustees Limited

Bradford and Bingley Pension scheme

British Airways Pension Scheme

British American Tobacco Pensioners' Association

British American Tobacco UK Pension Fund

British Coal Pension Scheme

British Holiday and Home Parks Association

British Telecommunications Group plc

Broadstone Corporate Benefits Limited

BT Pension Scheme Limited

Cadbury Mondelez Pension Fund

Campaign for Better Business Statistics

Capita Employee Solutions

Cardano

Cartwright Benefit Solutions Ltd

Communications Workers Union

Confederation of British Industry

CBRE Caledon

CFA Society of the UK

Chartered Institute of Securities and Investment

Chivas Brothers Pension Scheme

Citrus Pension Plan

Consumer Prices Stakeholder Advisory Panel

CSM Pension Scheme Trustee ltd

Cummins UK Pension Plan

Dairy Crest Group Pension Fund

Day Flats Residents Ltd

De La Rue Pension Scheme

Deloitte Touche Tohmatsu Limited

Deloitte Total Reward and Benefits Limited

Devonport Royal Dockyard Pension Scheme

DHL Trustees Limited
Diageo Pension Scheme
E.ON UK Group of the Electricity Supply Pension Scheme
Electricity Pensions Trustee Limited
Edrington Group Pension Scheme
Engineering Construction Industrial Training Board
EVC UK Plan
Fidelity International
First Actuarial LLP
First UK Bus Pension Scheme
FirstGroup plc
FMS Wertmanagement
Ford Motor Company Ltd.
Friends Provident Pension Scheme
Fujitsu Comparable Pension Scheme
Gatemore Capital Management LLP
General Medical Council
GLIL Infrastructure LLP
GMB Union
Golden Charter Trust
Greater Manchester Pension Fund
Hampshire County Council Pension Fund
Hargreaves Lansdown
Hays Pension Scheme
Hertz UK (1972) Pension Plan
Highland Distillers Scheme
HNG Chartered Surveyors
HSBC Bank Pension Trust (UK) Limited
Hymans Robertson LLP
ICI Pensions Fund
ICL Group Pension Plan
Industrial Trading Boards Pensions Association
Mineworkers' Pension Scheme
Mitchells & Butlers Pension Plans
INEOS Chlor Pension Fund
INEOS Fluor Pension fund
INEOS Newton Aycliffe Pension Fund
INEOS Silicas Pension Fund
Insight Investments
Institute and Faculty of Actuaries
Intergenerational Foundation
Investment Association
ITB Pension Funds
J C Bamford Excavators Ltd
Jaguar Land Rover Pension Trustees Limited
Johnson Matthey Employees Pension Scheme
JPMC UK Retirement Plan
Kelda Group Pension Plan
Kellogg's
Kingfisher Pension Scheme
Labour Party Superannuation Scheme
Land Securities Pensions Trustee Ltd
Lane Clark & Peacock LLP
Leasehold Knowledge Partnership
Legal & General
Leonardo MW Ltd
Lloyds Banking Group Pensions Trustees Limited
Local Pensions Partnership Investments Ltd
London Pensions Fund Authority
London Waste Limited Pension Scheme
Lothian Pension Fund
LSC Pension Scheme
M&G Plc
Manweb Group of the ESPS
Mercer
Merseyside Pension Fund
Redington
River and Mercantile Derivatives

Molins U.K. Pension Fund Trustee Limited

National Grid plc

National Grid UK Pension Scheme Trustee Limited

National House-Building Council

National Pensioners Convention

National Union of Rail, Maritime & Transport Workers

Nationwide Pension Fund

Navigator Terminals Thames

Newsquest Pension Trustee Ltd

Northern Bank Pension Scheme

Northern Gas Networks Pension Scheme

NTL Pension Association

Pension Protection Fund

Pensions and Lifetime Savings Association

Pensions Policy Institute

Pilkington Brothers Superannuation Trustee Ltd

Plumbing and Mechanical Services UK Industry Pension Scheme

PPP Forum

Prospect

Public Service Pensioners` Council

QinetiQ Pension Scheme

Quadra Ventures Limited

Quantum Advisory

RAC (2003) Pension Scheme

Rail Delivery Group

Railways Pension Trustee Company Limited

Redington

River and Mercantile Derivatives

Roliscon LTD

Royal Statistical Society

Rolls-Royce UK Pension Fund

Rosyth Royal Dockyard Pension Scheme

Royal Mail Pension Plan

Royal Insurance Group Pensions Scheme

RPI CPI User Group

Ruffer LLP

RWE Group of the Electricity Supply Pension Scheme

Sacker and Partners LLP

Sainsbury's Pension Scheme

Samworth Brothers Limited

Samworth Brothers Limited Superannuation Scheme

Schneider Electric UK

Schroders Investment Management

Scotia Gas Networks Pension Scheme

Scottish Hydro-Electric Pension Scheme

Scottish Power

Serco Pensions and Life Assurance Scheme

Severn Trent Plc

Smurfit UK Pensions Trustees

Society of Pension Professionals

Sour Park Residential Homes

South East Water Pension Trustee Limited

SSE Southern Group Pension Trustee LTD

Standard Life Aberdeen plc

Standard Life Staff Pension Scheme

State Street Global Advisors

Superannuation Arrangements of the University of London

SWLaw Investment & Financial Planning Ltd

Trades Union Congress

Technical Advisory Panel for Consumer Price Statistics

Thames Valley Pensioners Convention

Trades Union Congress

Technical Advisory Panel for Consumer Price Statistics

Thames Valley Pensioners Convention

The Co-operative Group Pension Scheme

The Golden Charter Trust

The Macmillan Pension Plan

The Ovo Energy Group

Tobacco Manufacturers Association

TPT Retirement Solutions

TWIL Group Pension Fund

UK Power Networks Group (Trustee) Limited

UK Power Networks (Operations) Limited

Unison

Unite the Union

United Utilities Pension Scheme

Universities Superannuation Scheme

University of Exeter Retirement Benefits scheme

UUPLC Group of the Electricity Supply Pension Scheme

Wales & West Utilities Pension Scheme

WDFG UK Pension Plan

West Yorkshire Pension Fund

Western Power Utilities Pension Scheme

Whitbread

Willis Pension Scheme

Xerox Final Salary Pension Scheme

XPS Pensions Group

Yorkshire Water

Zurich UK & Zurich Financial Services UK Pension Scheme

HM Treasury contacts

This document can be downloaded from: www.gov.uk

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UK Statistics Authority contacts

This document can be downloaded from:
https://consultations.ons.gov.uk/rpi/2020/

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