

Use of the CPI

The ABS information paper does not identify a *significant use of CPI* by the RUDD GOVERNMENT which is that CPI is used to index the pensions of retired Military and Commonwealth Public servants.

The ABS information paper stated the PRINCIPLE PURPOSE of the CPI and identified that it uses the *acquisitions* approach for calculation. This changed from the *outlays* approach used for the purposes of wage and salary determinations IN THE PERIOD 1960 to 1997.

The CPI is essentially a price inflation measure. The RUDD GOVERNMENT has not accepted the CPI as an adequate indexation method for:

- ❖ the superannuation pensions of existing parliamentarians:
 - Their retirement pensions will move in accordance with parliamentary salary increases over time
- ❖ Age pensions, veterans pensions, the Family Benefit and a variety of other payments:
 - Indexation is linked to Male Total Average Weekly Earnings (MTAWE).

Both sides of politics have recognised that such groups should share in the productivity gains made by the community generally and hence should share in increased community living standards over time. This is guaranteed by a wage-linked indexation method.

In addition, since 2001, the Reserve Bank has also indexed its employees' superannuation scheme to MTAW, while the Commonwealth Bank's scheme is indexed to Average Weekly Ordinary Total Earnings (AWOTE).

The RUDD GOVERNMENT has linked Military and Commonwealth retired public servants Superannuation pensions to the Consumer price index CPI. The result of this unusual use of CPI is clearly demonstrated in that over the last ten years the following pension increases have occurred::

Parliamentary	44%
Age pensions	38%
Military & Commonwealth superannuation	23%

The Superannuated Commonwealth Officers' Association SCOA identified that the average Defence Force Commonwealth and pension is \$20,649 p.a. This level, or a lesser amount, is received by over 60% of Commonwealth superannuants annually. This is significantly less than the annual age pension rate for a couple.

In the last three years, the reports of two Senate Committee inquiries have recommended that the Government change the indexation method for Commonwealth superannuation pensions to a wage linked method (including for retired military personnel).

It is requested that the ABS consider the issue of the practical approach for the construction of future CPI to have a specific USE for the application to Military and Commonwealth Public service pension indexation so as to recover and MAINTAIN parity with MTAWWE and AWOTE.

Further that the Government Actuary to generate the estimated costs to recover parity of affected pensions to MTAWWE and AWOTE since the change in CPI approach in 1997.

source Mike Russell 16 February 2010