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Indexation of Australian Government Civilian and Military Superannuation Pensions


The review considered whether the current Consumer Price Index (CPI) indexation methodology for pensions for the seven Australian Government civilian and military defined benefit superannuation schemes should be changed.

This review delivered on a Rudd Government election commitment and was led by Mr Trevor Matthews, an international leader in the global pensions and life insurance industry, an Australian citizen, past president of the Institute of Actuaries of Australia, and currently a prominent actuary in the United Kingdom.

Mr Matthews recommended that pensions from the Australian Government civilian and military superannuation schemes continue to be indexed by the CPI as it is the most suitable index to protect pensions against inflationary price increases available at this time.

Lindsay Tanner said that the Rudd Government fully supports the findings and recommendations outlined in the report.

"The Rudd Government is satisfied, after considering Mr Matthews’ report, the purpose of indexation of civilian and military superannuation pensions should continue to maintain the purchasing power of the pension.

"We are aware that this will disappoint many superannuants and their representatives, but we are satisfied that the CPI is the most suitable index to protect Australian Government superannuation pensions against inflationary price increases available at this time.

"It is also in line with the indexation of most other similar pensions in Australia, including all equivalent State Government schemes.

"A change to the indexation of these pensions therefore is not warranted, especially as it would come at a significant cost to the taxpayers. It would also be inequitable for superannuants who previously chose to take their superannuation in a lump sum."

Lindsay Tanner recognised that there are some civilian and military pensioners who receive only small pensions from these schemes; however this is not due to deficiencies in indexation of pensions. It generally reflects salary level or in many cases, short periods of employment with the Australian Government.

Lindsay Tanner said: “Those who served in the Australian Government for a short time will likely have had periods of employment with other organisations and as such, superannuation with them.

“Like other Australians in similar circumstances, they can supplement their income if they qualify and satisfy the income and assets tests for an Age or Service Pension in addition to their..."
superannuation pension."

In response to the Harmer Review, the Australian Bureau of Statistics (ABS) is currently working on the Pension Beneficiary Living Cost Index (PBLCI). The PBLCI aims to specifically reflect changes in the living costs of age pensioners, carers and disability support recipient households.

The Government will monitor progress of the PBLCI development and seek the view of the ABS, but has no plans to move away from the CPI for indexing the pensions of Commonwealth superannuants.

A summary of findings from the review is detailed below and a full copy of the report and the Government’s response is available online at: www.finance.gov.au/superannuation/pension-indexation-review.html

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