



THE HON LINDSAY TANNER MP

Minister for Finance and Deregulation
Member for Melbourne



Senator Kate Lundy
Senator for Australian Capital Territory
Unit A, Ground Floor, Law Society Building
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Kate

Dear ~~Senat~~or Lundy

Thank you for your letter of 14 September 2009 regarding the review of the pension indexation arrangements in Australia Government civilian and military superannuation schemes that was conducted by Mr Trevor Matthews. I apologise for the delay in responding.

I acknowledge that the review findings and the Government response may have caused disappointment for some recipients of Australian Government civilian and military pensions. However, the Government continues to fully support Mr Matthews' findings and recommendations.

I note your comments on the possible use of the Pension and Beneficiary Living Cost Index (PBLCI) and your recommendation that indexation for Australian Government civilian and military pensions occur twice a year by whichever is greater of the Consumer Price Index (CPI) or the PBLCI.

Mr Matthews did recommend consideration of the use of an alternative index for Australian Government civilian and military pensions, but only if a robust index becomes available which reflects the price inflation experience of superannuants better than the CPI.

The PBLCI focuses on the changes in the living costs of age pensioners, carers and disability support recipient households. As I have been advised, the Australian Bureau of Statistics (ABS) has derived the PBLCI by combining the age pensioner Analytical Living Cost Indexes (ALCI) and the other government transfer recipients ALCI.

Therefore, the PBLCI is not an index in relation to the living costs of superannuants. It has not been derived from the self-funded retiree ALCI, which was the index that Mr Matthews discussed in his report.

Mr Matthews also did not find that it is inequitable or unfair that civilian and military pensions are increased differently to the Age or Service pensions as they are different benefits provided for different purposes.

The Government has no plans to move away from the CPI for indexing the pensions of Commonwealth superannuants.

I have written in similar terms to the Hon Dr Mike Kelly AM MP, Mr Bob McMullan MP and Ms Annette Ellis MP.

Yours sincerely

A handwritten signature in black ink that reads "Lindsay Tanner". The signature is written in a cursive style with a large, prominent 'L' and 'T'.

Lindsay Tanner

22 OCT 2009