



67 Woolner Circuit
Hawker ACT 2614
21 January 2001

The Secretary
Senate Select Committee on Superannuation and Financial Services
Parliament House, CANBERRA ACT 2600

Dear Sir/Madam

Submission re: CPI-based indexation of pensions

Currently the method of indexation used by trustees to calculate the real value of former federal employees' retirement pensions is by reference to the CPI.

Indexation maintains real purchasing power only if the CPI accurately measures changes in the cost of living. And it does not. The current CPI understates true (underlying) inflation.

Further, the CPI is based on consumption patterns which do not mirror the consumption patterns of most retirees. As a result, the CPI-linked pension has consistently risen by considerably less than retirees' actual cost of living, resulting in a reduced living standard. From my own detailed records, it is clear that price increases for food, medical, insurance, transport, rates and other essentials, are rising much more steeply than the official CPI used for pension adjustments.

I do not support changing from CPI indexation. CSS contributors like me have paid super in good faith over decades in the expectation that future CPI adjustments would ensure the maintenance of real purchasing power in retirement. What is needed is a better method of collecting comprehensive statistics for CPI purposes, one which takes account of the actual purchasing patterns of retirees. One which is fair and maintains, rather than reduces, living standards of retirees.

The Commonwealth Treasury has stated that collecting statistics to reflect the consumption patterns of particular demographics would be "too hard". But Treasury has adjusted the components of the CPI already, so clearly such an exercise is feasible.

I strongly believe, that the existing system is not intrinsically faulty. What is faulty is the implementation of it, by a government and its department which could well be interested in creating a pretext for modifying the existing system. The current CPI indexation system is backed by legislation to ensure that retirees, depending on it, are treated fairly in retirement by their former employer for their years of hard work and dedicated service. The intention of this legislation should be honoured.

Yours faithfully

(Mrs) J. A. Laraman