To: Tasmanian politicians of all political persuasions!

I fear for my life-style.

I am a retired teacher.
As a public servant I contributed to superannuation through the State-owned Retirement Benefits Fund (RBF) during my career.
I have elected to take a Life-pension with the RBF.

When I first entered the superannuation scheme I had expectations that I would have a properly indexed pension that kept up with inflation, prices and wages. I now fear this may not be the case.

A Life-pension is indexed every six months according to the change in percentage of the Consumer Price Index (CPI). This is meant to keep the Life-pension value in line with changes in inflation, prices and wages. **However, it is NOT**!

Using the Australian Bureau of Statistics website, I have researched and compared two indices – the Consumer Price Index (CPI) and the Average Weekly Ordinary Time Earnings (AWOTE).

For the AWOTE, the average increase per quarter for the last 62 quarters has been 1.1%
For the CPI, the average increase per quarter for the last 62 quarters has been 0.7%.
That means the AWOTE has on average each quarter increased more than half as much again (57% actually) as the CPI.

Reasons why the CPI is not the appropriate measure for indexing pensions and wages.

It is apparent that the CPI is NOT a reliable measure of inflation. In 1997 the Howard Government adjusted the "basket" of Goods & Services that made up the CPI at the time. The Government was under pressure to show that it could keep inflation under wraps by not rising too rapidly. It removed many of the items from the "basket" that were more likely to show a greater effect of inflation.
Now, all the CPI can be said to show, is the change that occurs from one time period to another for the items that are in the "basket". It cannot be regarded as an indicator of the change of inflation, as the basket is not representative of overall Goods and Services for the entire Australian community.
By this reasoning, the CPI is NOT keeping up with inflation. Hence, the Life-pension is NOT keeping up with inflation.

Supporting evidence from University of Sydney

I have quoted from a discussion paper entitled "The Role of the Consumer Price Index in Contemporary Wage Setting", by Chris Briggs of Acirrt in 2004. In the paper it explains "Acirrt is a multi-disciplinary research centre based at the University of Sydney founded in 1989".

From the paper are some selected excerts:

The CPI was traditionally designed as a cost- of- living index because its ‘principal purpose’ was to be an ‘input to the highly centralised wage and salary determination process’ (ABS 1997: 5). Most recently, under the centralised wage systems of the 1980s, the CPI was the focal point of national wage adjustments.

The CPI was restructured following a review in 1997, reconfigured from a cost- of- living index into a general index of price inflation. The CPI now carries an explicit statement from the ABS that it is not and should not be used as a cost- of- living index.

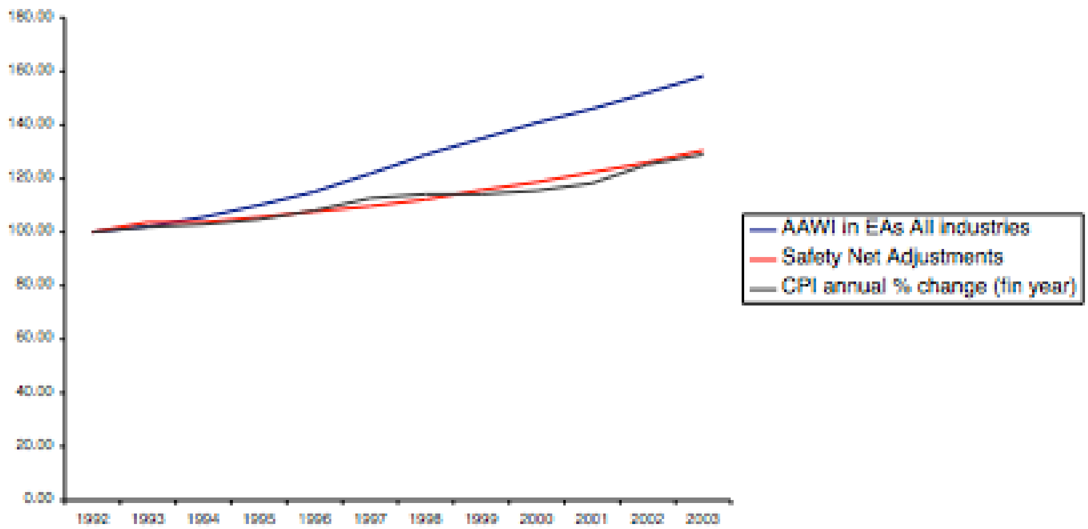
A gap has opened up between average annualised wage increases (AAWI) in agreements and the CPI.

The CPI is no longer an accurate measure of changes to cost- of- living and forging a tight nexus between wages and the CPI would be highly unusual within the current wage- setting environment.

Wage movements in the agreement sector have become increasingly dis-connected from price movements and the CPI. Figure 1 charts the movements in agreement wages and minimum award wages against the CPI:

The CPI, and cost- of- living, remain relevant factors in determining wage movements but both the CPI and wage- setting have changed so substantially that it is difficult to sustain a case that wages should be tightly linked to the CPI.
The following graph is most enlightening.

Figure 1: Wages and Prices - Agreements, Awards and the CPI



Source: ABS, Cat. No. 6401.0; ACIRRT, Agreements Database and Monitor (ADAM).
Note: the Safety Net Adjustment index is calculated using the C10 metal fitters rate.

It would be of value to read the discussion paper in its entirety.

This just goes to show that RBF Life Pension Superannuants are losing ground with regards to wages and income earnings of average Australians.

As part of their election promises “The Greens” promised to change the half-yearly adjustment of RBF pensions by **the higher percentage change of either the AWOTE or CPI**.

Unless there is a change in the way RBF indexes its Life Pension, I can foresee that I will end up on the “Old-Age Pension” provided by the Australian Government.

This is serious stuff. I hope to live for an extra 30 years or so, and by missing out on these increments I will have no hope of living off my pension in 30 years time.

This problem was recognized as far back as 2004, as shown by the previously mentioned University of Sydney discussion paper.
It make one ponder what their pension would be now if the adjustments had been changed by **the higher percentage change of either the AWOTE or CPI**.

I believe I was duped by the Tasmanian Government when I attended a seminar as a student-teacher in the 1970’s and was told that my pension would be adjusted for inflation and the cost-of-living every six months.
I have shown that the CPI is not the correct way to measure these adjustments.

To keep faith with its past employees, the Tasmanian Government needs to change legislation pertaining to the RBF so that it adjusts pensions by the higher percentage change of either the CPI or AWOTE.

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