CommonwealthBank

GroupSuper

Defined Benefit pension indexation: Division CF

Once you begin a pension from Division CF, your annual pension entitlements change on 1 October each year in line with movements in inflation, as measured by the Consumer Price Index.

Measuring inflation

Consumer Price Index (CPI) figures are published by the Australian Bureau of Statistics (ABS), based on the prices of a wide range of goods and services that broadly represents what Australians spend their money on – this is known as the 'CPI basket'. CPI includes things such as housing, household equipment and services, food and beverages, transport, health, clothing, communication, recreation, financial services, and education. The change in cost of the CPI basket provides an inflation index.

Under Division CF rules, we calculate pension changes using the *All Groups CPI Index Numbers: Sydney Index* figures published by the ABS for June of each year. Figures for this Index for the last five years are provided below – please keep in mind that historical inflation rates may not be a reliable indicator of future changes.

	Index	Percentage change in CPI from previous period
June 2017	111.7	2.2%
June 2018	114.0	2.1%
June 2019	115.9	1.7%
June 2020	114.7	-1.0%[1]
June 2021	**119.4**	**3.0%**[2]

Source: ABS 6401.0 – June 2021, www.abs.gov.au.

Calculating your pension indexation

In the first year, your pension is indexed at 1 October using a proportion of the CPI index based on when your pension began.

An example of this pro-rata indexation calculation is shown in the following table, based on indexation occurring on 1 October 2021:

Pension start date	How indexation rate applies
On/before 30 June 2020	Full indexation rate in Oct 2021.
1 Jul 2020 – 30 Sep 2020	Three-quarters of rate in Oct 2021, then full rate from Oct 2022.
1 Oct 2020 – 31 Dec 2020	Half of rate in Oct 2021, then full rate from Oct 2022.
1 Jan 2021 – 31 Mar 2021	One-quarter of rate in Oct 2021, then full rate from Oct 2022.
1 Apr 2021 – 30 Jun 2021	No indexation in Oct 2021, then full rate from Oct 2022.
1 Jul 2021 – 30 Sep 2021	No indexation in Oct 2021, three-quarters of rate in Oct 2022, then full rate from Oct 2023.

1 Under Division CF rules, pensions would ordinarily be reduced if indexation is negative. However, we have agreed with the Commonwealth Bank (as the fund's principal employer) and the fund actuary that pensions will remain at the same amount in the event of a negative indexation rate, i.e. effectively an indexation rate of 0%.

2 Calaculated as the percentage change in CPI from the last period in which indexation applied, i.e. from June 2019 to 30 June 2021.

For Defined Benefit members and pensioners:

Find out more or log in at **oursuperfund.com.au**

Call **1800 135 970** 8am–7pm, Mon–Fri or email via **oursuperfund.com.au/login**

Post to **GPO Box 4303, Melbourne VIC 3001**

The following table is an example of how we use the CPI indexation figures to calculate changes to your pension payments over several years. The example includes partial indexation in the first year of your pension and then normal indexation for subsequent years.

If CPI movement is **negative** for any period, as was the case in June 2020, ordinarily pensions would be reduced accordingly. However, we have agreed with the Commonwealth Bank and the fund's actuary that pensions will **not** be reduced in these circumstances and will remain the same as the previous year. Any future indexation, when CPI movement is positive, is calculated based on the change in CPI from the last period in which indexation applied, rather than from the figure that represented the negative rate (included in the example below).

General advice warning about using or relying on this information

The information is general information only and does not take into account your individual objectives, financial situation or needs. You should consider the information and its appropriateness, having regard to your own objectives, financial situation and needs, before making any decisions. You should seek professional financial advice tailored to your personal circumstances from an authorised financial adviser.

Example of how CPI is used to index pension payments over several years

Indexation date	How indexation is calculated	New payment amount (rounded to nearest dollar)
24 February 2019 (pension start date)	CPI Index for June 2018 = 114.0, although no indexation is applied at this time.	Starting pension from the first pay date: = **$650** per fortnight
At 1 October 2019	CPI Index for June 2019 = 115.9. Indexation is based on the change from June 2018: = (115.9 − 114.0) ÷ 114.0 = 0.017 (or **1.7%**)	Pension from 1 October 2019: = Current payment + partial (one-quarter) indexation based on pension start date of February 2019: = $650 + [(25% x 1.7%) x $650] = $650 + $3 = **$653** per fortnight
At 1 October 2020	CPI Index for June 2020 = 114.7. Indexation would ordinarily be based on the change from June 2019: = (114.7 − 115.9) ÷ 115.9 = -0.01 (or **-1%**) However, an indexation of **0%** was applied rather than reducing pensions.	Pension from 1 October 2020: = Current payment + full indexed amount: = $653 + [$653 x 0%] = $653 + $0 = **$653** per fortnight
*Although negative indexation was not applied to pensions in October 2020, indexation for the next period will take into account the change from the last period of positive indexation. The future indexation rate for June 2022 is a **sample figure only** to show how the indexation process is applied – it's **not** an actual (or predicted) indexation figure.*		
At 1 October 2021	CPI Index for June 2021 = 119.4. Because the 2020 indexation rate was negative, the 2021 indexation is based on the change from the last period that indexation was applied, which was as at 1 October 2019: = (119.4 − 115.9) ÷ 115.9 = 0.030 (or **3.0%**)	Pension from 1 October 2021: = Current payment + indexed amount = $653 + (3.0% x $653) = $653 + $20 = **$673** per fortnight
At 1 October 2022	CPI Index for June 2022 = 120.5. Indexation is based on the change from June 2021: = (120.5 − 119.4) ÷ 119.4 = 0.009 (or **0.9%**)	Pension from 1 October 2022: = Current payment + indexed amount = $673 + (0.9% x $673) = $673 + $6 = $**679** per fortnight