



Defined Benefit pension indexation: Division E

Once you begin a pension from Division E, your annual pension entitlement increases on 1 September each year in line with movements in inflation, as measured by Average Weekly Earnings.

Measuring inflation

Average Weekly Earnings (AWE) figures are published by the Australian Bureau of Statistics (ABS). Twice per year, the ABS surveys over 5,000 employing businesses in order to estimate the level of average gross weekly earnings associated with employee jobs in Australia at that time.

AWE is used for estimates of both the level of earnings and movement in earnings, and are used to adjust a variety of government payments.

There are a number of different series of AWE figures. Under the rules for Division E, we calculate pension increases using the *Average Weekly Earnings, Victoria (Dollars) – Original: Full-time Adult Ordinary Time Earnings Index* figures published by the ABS for May of each year. Figures for this Index for the last five years are provided below:

	Index	Percentage increase in AWE from previous period
May 2017	1,507.7	3.7%
May 2018	1,545.3	2.5%
May 2019	1,608.3	4.1%
May 2020	1,709.0	6.3%
May 2021	1,750.7	2.4%

Source: ABS 6302.0 – May 2021, www.abs.gov.au

Please keep in mind that historical inflation rates may not be a reliable indicator of future changes.

Calculating your pension indexation

In the first year, your pension is indexed at 1 September using a proportion of the AWE index based on the number of days you received the pension in the previous financial year.

The table on page 2 is an example of how we use the AWE indexation figures to calculate the increase to your pension payments over several years. The example includes pro rata indexation in the first year of your pension and then full indexation for subsequent years.

If AWE movement is negative for the period, your pension amount for that year remains the same – it will **not** be reduced. Any future indexation, when AWE movement is positive, will be calculated based on the change from the last period in which indexation applied, rather than from the figure that represented the negative rate (included in the following example).

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.

For Defined Benefit members and pensioners:



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

Example of using AWE to index your pension payments over several years

Please note that AWE figures for May 2022 and 2023 are **sample** figures only to show how the indexation process is applied – they are **not** actual (or predicted) indexation figures.

Indexation date	How indexation is calculated	New payment amount (rounded to nearest dollar)
25 January 2020 (pension start date)	AWE Index for May 2019 = 1,608.3, although no indexation is applied at this time.	Starting pension from the first pay date: = \$650 per fortnight
At 1 September 2020	AWE Index for May 2020 = 1,709.0 Indexation is based on the change from May 2019: = $(1,709.0 - 1,608.3) \div 1,608.3$ = 0.063 (or 6.3%)	Pension from 1 September 2020: = Current payment + indexed amount, pro-rated for the 220 days between the pension start date and 31 August 2020: = $\$650 + [6.3\% \times \$650 \times (220 \div 365)]$ = $\$650 + \25 = \$675 per fortnight
At 1 September 2021	AWE Index for May 2021 = 1,750.7. Indexation is based on the change from May 2020: = $(1,750.7 - 1,709.0) \div 1,709.0$ = 0.024 (or 2.4%)	Pension from 1 September 2021: = Current payment + indexed amount = $\$675 + (2.4\% \times \$675)$ = $\$675 + \16 = \$691 per fortnight
<i>The following rows give an example of what happens to your pension payments if indexation is negative during a period.</i>		
At 1 September 2022	AWE Index for May 2022 = 1,740.5 Indexation is based on the change from May 2021: = $(1,740.5 - 1,750.7) \div 1,750.7$ = -0.006 (or -0.6%)	Pension from 1 September 2022: = Remains at current payment – no indexation applied as 2022 indexation rate is negative = \$691 per fortnight
At 1 September 2023	AWE Index for May 2023 = 1,794.3. Because the 2022 indexation rate was negative, the 2023 indexation is based on the change from the last period of indexation, which was 2021: = $(1,794.3 - 1,750.7) \div 1,750.7$ = 0.025 (or 2.5%)	Pension from 1 September 2023: = Current payment + indexed amount = $\$691 + (2.5\% \times \$691)$ = $\$691 + \17 = \$708 per fortnight

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