# Defined Benefit pension indexation: Division B, C, D, CH, CK or CO

Once you begin a pension from Division B, C, D, CH, CK or CO, your annual pension entitlement increases on 1 July 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 the rules for Division B, C, D, CH, CK or CO, we calculate pension increases using the *All Groups CPI, Weighted Average of Eight Capital Cities* figures published by the ABS for March of each year. Figures for this Index for the last five years are provided below:

| | Index | Percentage change in CPI from previous period |
|---|---|---|
| March 2020 | 116.6 | 2.2% |
| March 2021 | 117.9 | 1.1% |
| March 2022 | 123.9 | 5.1% |
| March 2023 | 132.6 | 7.0% |
| **March 2024** | **137.4** | **3.6%** |

Source: ABS 6401.0 – March quarter 2024, 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 July using a proportion of the CPI 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 CPI 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 CPI movement is negative for the period, your pension amount for that year remains the same – it will **not** be reduced. Any future indexation, when CPI 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.

Find out more at **oursuperfund.com.au**

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## Example of using CPI to index your pension payments over several years

Please note that CPI figures for March 2025 and March 2026 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) |
|---|---|---|
| 23 October 2022 (pension start date) | CPI Index for March 2022 = 123.9, although no indexation is applied to the starting amount at this time. | Starting pension from the first pay date:<br>= **$650** per fortnight |
| At 1 July 2023 | CPI Index for March 2023 = 132.6.<br>Indexation is based on the change from March 2022:<br>= (132.6 – 123.9) ÷ 123.9<br>= 0.070 (or **7%**) | Pension from 1 July 2023:<br>= Current payment + indexed amount, pro-rated for the 250 days between the pension start date and 30 June 2023:<br>= $650 + [7% x $650 x (250 ÷ 365)]<br>= $650 + $32<br>= **$682** per fortnight |
| At 1 July 2024 | CPI Index for March 2024 = 137.4.<br>Indexation is based on the change from March 2023:<br>= (137.4 – 132.6) ÷ 132.6<br>= 0.036 (or **3.6%**) | Pension from 1 July 2024:<br>= Current payment + indexed amount<br>= $682 + (3.6% x $682)<br>= $682 + $25<br>= **$707** per fortnight |
| *The following rows give an example of what happens to your pension payments if indexation is negative during a period.* | | |
| At 1 July 2025 | CPI Index for March 2025 = 135.9. Indexation is based on the change from March 2024:<br>= (135.9 – 137.4) ÷ 137.4<br>= –0.011 (or **1.1%**) | Pension from 1 July 2025:<br>= Remains at current payment – no indexation applied as 2025 indexation rate is negative<br>= **$707** per fortnight |
| At 1 July 2026 | CPI Index for March 2026 = 140.1. Because the 2025 indexation rate was negative, the 2026 indexation is based on the change from the last period that indexation was applied, which was 2024:<br>= (140.1 – 137.4) ÷ 137.4<br>= 0.020 (or **2%**) | Pension from 1 July 2026:<br>= Current payment + indexed amount<br>= $707 + (2% x $707)<br>= $707 + $14<br>= **$721** per fortnight |

Note: For Division CH or CO, if the indexation rate exceeds the following thresholds, approval may be required from the Commonwealth Bank, as the fund's principal employer. This would apply where:

- Division CH: the indexation rate is greater than 5%.
- Division CO: the indexation rate is greater than 3%

In these cases, the Bank may approve the full indexation rate or the indexation rate for that year may be limited to either 5% (plus one-half of the index above 5%) or 3%, as applicable to the division.