Your Senator of choice

Dear Senator

The Government's recent Budget set out to improve the nation's finances by imposing further hardships on its elderly population. Because life expectancy at age 65 has been increasing in recent years, and the Government assumes further increases in life expectancy, they therefore expect that there will be a need for increased expenditure on the elderly. However, those retiring now can be expected to have so much superannuation that most of the forecast additional expenditure on the Age Pension will not be needed.

In the Prime Minister's recent letter to age pensioners, published in *News for Seniors* Issue 93, he said that "…. *the Government is proposing from 2017 pensions be indexed to the rate of inflation rather than wages. This is already the case with other social security benefits and the pension will continue to increase each and every year*."

I am a Commonwealth superannuation pensioner. My pension has been indexed to the CPI ever since I retired, and I can remember two occasions when the CPI did not increase during a six-month period. The most recent was in March 2009, when the CPI was lower than it had been in September 2008, so my Commonwealth superannuation pension did not increase in July 2009. If the Age Pension is indexed to the CPI, it is highly likely that there will be times when it is not increased, and it was deceitful to pretend otherwise. Age pensioners should be told the truth. With CPI indexation, you do not always get a six-monthly increase in your pension.

The CPI is a measure of price inflation, rather than a measure of increases in the cost of living. Some of the prices used in the compilation of the CPI are adjusted (mostly downwards) to take into account technological improvements. Furthermore, the basket of goods and services in the CPI, and the weights given to expenditure on each of those items, are based on the expenditure patterns of the whole population, rather than on the rather different expenditure patterns of age pensioners. The present method of indexation of the Age Pension (the higher of the CPI and the PBLCI, benchmarked to Male Total Average Weekly Earnings) is a better approximation to a true cost of living index.

Issue 93 of *News for Seniors* provides an example of the inadequacy of CPI indexation. When the taper rate for the income test was changed from 40c in the dollar to 50c in the dollar on 19 September 2009, existing part-Age Pensions were grandfathered, with the base rate for the grandfathered pensions indexed by the CPI instead of the usual Age Pension method. After five years of CPI indexation, the base rate for the grandfathered pension for a single person is only $706.80 per fortnight, compared to $776.70 under the new rules, a difference of $69.90 a fortnight, or 9%. That is a lot of money for someone on the Age Pension.

I beg you to vote against the Bill to change the indexation of the Age Pension to the CPI. Do not put fear into the hearts of Australia's age pensioners.