

CPI adjustment of your pension

An STC pension is a pension paid from any of the following STC schemes (SSS, PSS or SASS). STC pensions are adjusted each year in accordance with the percentage movement in the Consumer Price Index (All Groups Index) for Sydney from June quarter to June quarter.

The adjustment is made from the first pension pay day in October each year. It applies only to the pension component remaining in payment after any commutation (exchange of pension for a lump sum).

Pensions which were paid throughout the whole of the financial year before the October CPI adjustment are adjusted by the full percentage movement for the year (subject to what is set out below concerning the effect of a negative movement in CPI).

Pensions which were paid for less than the whole of the financial year before the October CPI adjustment are (subject to what is set out below concerning the effect of a negative movement in CPI) adjusted proportionately — according to the number of full quarters of the year they were in payment. The basis for this proportionate adjustment is set out below.

- Pensions which began between 2 July and 1 October, inclusive, receive 75% of the full adjustment.
- Pensions which began between 2 October and 1 January, inclusive, receive 50% of the full adjustment.
- Pensions which began between 2 January and 1 April, inclusive, receive 25% of the full adjustment.
- Pensions which began between 2 April and 30 June, inclusive, are not adjusted in October.

SSS & SASS child pensions

SSS and SASS child pensions receive the full adjustment in October each year regardless of the date in the year when they commenced.

PSS child pensions

PSS child pensions are not adjusted by CPI as they are paid at a rate determined under the *Workers Compensation Act 1987*.

SSS deferred pensions

SSS pensioners whose benefit was deferred (see SSS Fact Sheet 17 *Optional deferred benefit*) for part of the financial year may also receive an adjustment calculated based on the employer-financed part of the pension and the period of deferral.

Effect of negative movement in CPI on adjustment to pensions

An STC pension can be **adjusted downwards** if there is a decrease in the CPI (All Groups Index – Sydney) for a financial year. Where there is such an adjustment, it is for the amount of the decrease in CPI or a proportionate amount as set out above. However, where the decrease in the CPI for a year is **between 0 and up to but not including 1.1%, no adjustment** is made to STC pensions for the relevant year. While STC pensions are not reduced when the CPI decreases by between 0 and -1.1%, the decrease in the CPI is taken into account in determining the adjustments to pensions in future years. How this is done is shown in the *Calculation of the adjustment percentage* section below.

Note: The rules for years with negative movement in CPI applies to all pensions (except PSS child pensions). This includes pensions which were paid for less than the whole

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Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances, and possibly seek professional advice, before making any decision that affects your future.

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of the financial year in which the negative movement in CPI occurred.

It is also important to understand that a negative adjustment by reference to CPI cannot reduce a pension below the amount that was originally payable, i.e. before any CPI adjustments were applied, except if a commutation has been made.

Calculation of the adjustment percentage

The adjustment percentage is based on the movement or change in the CPI (All Groups Index) for Sydney from June quarter to June quarter (i.e. for a financial year).

Where pensions were adjusted for the previous year:

The adjustment percentage for the current year is calculated as the change from the previous year's June quarter CPI index to the current year's June quarter CPI index.

Where there was no pension adjustment made for the previous year (due to a negative change in CPI for that year of between 0 and up to but not including -1.1%):

The adjustment percentage for the current year is calculated as the change from the June quarter CPI index for the year in respect of which the pension was last adjusted to the current year's June quarter CPI index.

Below are examples of how these calculations were made for the 2018/19, 2019/20 and 2020/21 financial years. Note that a change in the CPI over a period can be expressed either as a change in index numbers or as a percentage change. The calculations show the change in index numbers from one June quarter to the next, with the change also expressed as a percentage, rounded to 1 decimal point.

Depending on whether the percentage change in the CPI was positive or negative, the following rules apply for pension adjustments:

- If the CPI index has increased, the percentage change is used to **increase** pensions
- If the CPI index has decreased, the percentage change may be used to **decrease** pensions. However, this only occurs where the decrease in CPI is -1.1% or less (e.g. negative 1.2%). When the decrease in CPI is between 0 and -1.1%, no adjustment to pensions are made for that year (see 2019/2020 year below).

Examples of how an adjustment percentage is calculated

2018/19 - adjustment percentage calculated when the CPI change for the year is positive, and an adjustment was made in the previous financial year (i.e. 2017/18).

CPI June Quarter 2019 =..... 115.9

CPI June Quarter 2018 =..... 114.0

Change in index numbers =..... 1.9

Percentage change = $1.9/114.0 \times 100 = 1.667\%$

Rounded to 1 decimal point = 1.7%

Adjustment percentage was 1.7% for 2018/2019

2019/20 - adjustment percentage calculated when the CPI change for the year is negative but between 0 and -1.1%.

CPI June Quarter 2020 =..... 114.7

CPI June Quarter 2019 =..... 115.9

Change in index numbers =..... -1.2

Percentage change = $-1.2/115.9 \times 100 = -1.035\%$

Rounded to 1 decimal point = -1.0%

Note: The CPI decreased from June 2019 to June 2020, therefore the adjustment percentage was -1.0% for this year. As STC pensions are not reduced when the change in the CPI is between 0 and -1.1%, no adjustment percentage was applied for this year.

No adjustment percentage was applied in 2019/2020

2020/21 - adjustment percentage calculated when the CPI change for the year is positive but where there was no adjustment made for the previous financial year.

CPI June Quarter 2021 =..... 119.4

CPI June Quarter 2019 =..... 115.9

Change in index numbers =..... 3.5

Percentage change = $3.5/115.9 \times 100 = 3.020\%$

Rounded to 1 decimal point = 3.0%

Note: As no adjustment percentage was applied for the 2019/20 financial year, the change in the CPI from June 2019 to June 2021 was used to determine the adjustment percentage for 2020/21.

Adjustment percentage was 3.0% for 2020/2021

Fact sheets about related topics are:

SSS 12 *Child pensions*

SSS 14 *Exchanging your pension for a lump sum*

SASS 12 *SASS pension your questions answered.*

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More information

If you need more information, please contact us:

Telephone: **SASS** 1300 130 095 **SSS** 1300 130 096 **PSS** 1300 130 097 **Deferred Benefits** 1300 130 094
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au