

Warhurst, Di (SEN)

From: Andrew Freeman [afreeman@pcug.org.au]
Sent: Wednesday, 2 June 2004 5:06 PM
To: FPA, Committee (SEN)
Subject: SUBMISSION ON PARLIAMENTARY SUPERANNUATION BILL 2004

Secretary
Senate Public Finance and Public Administration Committee

SUBMISSION ON PARLIAMENTARY SUPERANNUATION BILL 2004

I understand the committee is looking into the Parliamentary Superannuation Bill 2004.

I would appreciate it if you could copy this submission to committee members.

I understand that the Parliamentary Superannuation Bill 2004 envisages that new members of Parliament will be members of a proposed scheme that has a notional employer contribution of 9%, and current members of the Parliamentary scheme will continue with that scheme. Some have argued that current members should be required to join the new scheme. That option has an element of retrospectivity in it which in my view makes it bad policy from a public policy point of viewpoint in most contexts. Also, that option would not normally be considered for other workers, so I do not see why it needs to be considered for current parliamentarians. Some current parliamentarians have argued that the current scheme is overly generous, with a notional employer contribution of around 60% of salary (if it had to be purchased from a private sector pension provider, typically the notional employer contribution would be much more than 60%, again in my view, if it could be purchased at all - most annuities relate to inflation, not growth in Parliamentary salaries which over the long term tend to grow at a rate greater than inflation). I feel that current Federal politicians should have the option to join the new scheme. I would envisage that the lump sum they would take with them with the new scheme would be either the actual lump sum they would get if they resigned from the Parliament (that is typically those with less than 7 years service), or if they are entitled to a pension already, the lump sum they would be notionally entitled to if they took a pure lump sum (that is, value of pension plus any residual lump sum, calculated in similar way to the Public Sector Superannuation scheme [PSS] is done, with lump sum being 12 times pension if 55, and 14 times pension if 45). This gives politicians who have strong ethical objections to the current scheme the option to leave it, but does not force either them, or indeed any current Federal politicians to do so.

I am happy to discuss this submission with any committee members who wish to explore this option further with me, either formally via an appearance at the committee, or informally via a call from any of them after business hours.

Regards

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