

Family First Dissenting Report

1.1 In 2004, the Howard Government took a step in the right direction by putting an end to the outrageous superannuation payments to new federal politicians.

1.2 This was an action too long in coming and one that did not go far enough.

1.3 The changes implemented in 2004 were inadequate because those politicians elected before 2004 still continued to remain eligible for excessive superannuation payouts on their retirement.

1.4 The *Parliamentary Superannuation Amendment (Removal of Excessive Super) Bill 2009* would bring the superannuation entitlements of those politicians still on the Parliamentary Contribution Superannuation Scheme (PCSS) into line with more acceptable standards.

1.5 This is acknowledged explicitly by the committee in the report:

The committee notes that while the two sets of arrangements are inherently difficult to compare, the new arrangements have aligned the superannuation entitlements of MP's elected post-2004, much more closely with the arrangements of the majority of Australians.¹

1.6 Importantly, this Bill would remove the effective golden handshake that many federal politicians currently receive on retirement and bring all those politicians elected pre-2004 into a scheme more closely in line with the broader community.

1.7 Under the current PCSS, members of Parliament elected prior to 2004 who have completed a minimum of 12 years service or 4 terms are entitled to a lifetime pension upon their retirement. In the case of members of Parliament who retire involuntarily due to the loss of preselection or loss at an election, they are able to qualify for a lifetime pension after completing only eight years of service or three terms.

1.8 When a member dies, the pension continues to be collected by the member's spouse for an amount of five-sixths of the entitlement that was payable to the member.

1.9 According to Ms Katherine Campbell, Deputy Secretary of the Department of Finance and Deregulation,

The minimum pension is 50 per cent of a backbencher's salary and the maximum pension is 75 per cent of a backbencher's salary. The amount that is paid depends on the years of service and there is also an element of pension paid for extra responsibilities, such as ministerial responsibilities.²

1.10 This means that a politician elected prior to 2004 in a by-election who gets re-elected on three more occasions and retires in 2010, having only ever served as a

1 Senate Finance and Public Administration Legislation Committee, *Parliamentary Superannuation Amendment (Removal of Excessive Super) Bill 2009*, September 2009, p. 10.

2 Ms Kathryn Campbell, Deputy Secretary, Department of Finance and Deregulation, *Committee Hansard*, 14 August 2009, p. 1.

backbencher would receive a pension of \$63 000 for the rest of their life. This is an outrageous amount and a blatant rort of taxpayers' dollars.

1.11 Furthermore, unlike other superannuation schemes which are exposed to market risks, and in many cases, have produced negative returns in the 2008–09 financial year, the PCSS has zero exposure to market risks. Instead, this is borne entirely by Australian taxpayers.

1.12 In response to a question on notice, the Department of Finance and Deregulation stated:

The Parliamentary Contributory Superannuation Scheme (the pre 2004 arrangements) is an unfunded defined benefits superannuation scheme, where benefits are based on length of parliamentary service and salary. Member benefits are not affected by investment returns.

Under the post 2004 arrangements, MPs become members of accumulation funds (or defined contribution funds) where member benefits are affected by the level of contributions made by the employer and the employee and investment earnings on those contributions.³

1.13 Australians are tightening their belts and its time all politicians did the same. The government must surely lead by example. Just as the government is now looking to tighten those payments for fat cats who make their termination payments on the backs of hard-working Australians, so too must the same standards apply to politicians.

1.14 It is hypocritical for the Rudd Government to expect Australians to accept enormous government cuts in spending on vital services whilst they themselves remain immune to this pain. The first cuts in spending should be in pollies' super.

1.15 The next time the Government asserts that it is unable to adequately fund important community projects, they ought to look in their own backyard for this money.

1.16 This bill will send a powerful message to Australians that their elected representatives are not feathering their own nest. Family First is genuinely passionate about the financial security and welfare of Australians. This Bill offers those politicians who believe in a fair go for all and who genuinely want to improve the lives of their fellow Australians the opportunity to demonstrate this through their actions and not just through their words.

Recommendation 1

1.17 Family First recommends that the bill be passed.

Senator Steve Fielding

3 Department of Finance and Deregulation, answer to question on notice, 11 September 2009, p. 22.