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Australian Council of Public Sector  
Retiree Organisations Inc.

ABN 74 M 015 642



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*Combined organisations representing Commonwealth, State, Territory and  
other public sector retirees.*

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PO Box 372 Hawker ACT 2614

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5 June 2002

Secretary  
Senate Select Committee on Superannuation  
Parliament House  
CANBERRA ACT 2600

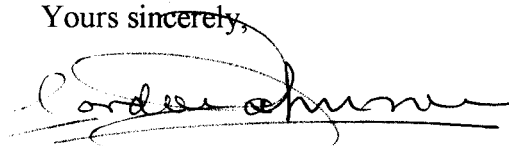
Dear Ms Morton,

This Peak Council is responding to the Select Committee's 'Inquiry into Superannuation and Standards of Living.' The other matter before the Select Committee, 'Inquiry into Taxation of Transfer from Overseas Superannuation Funds' is not being addressed.

As with previous papers submitted to the Select Committee this submission by ACPSRO Inc is being made on behalf of Commonwealth, including the Military, State and Territory Public Sector superannuation Associations who are members of this peak body. The constituency covered by our member Associations is of the order of 500,000 Public Sector superannuated retirees plus their dependents.

The submission for consideration is attached hereunder and ACSPRO would welcome the opportunity to appear before the Select Committee to expand on the matters we have raised.

Yours sincerely,



G Johnson  
National President



**AUSTRALIAN COUNCIL OF PUBLIC SECTOR  
RETIREE ORGANISATIONS INC**

**SUBMISSION  
TO  
SENATE SELECT COMMITTEE ON SUPERANNUATION**

**INQUIRY INTO SUPERANNUATION AND  
STANDARDS OF LIVING IN  
RETIREMENT**

June 2002

## EXECUTIVE SUMMARY

ACPSRO has developed a detailed submission to the Select Committee drawing on a range of sources including the Commonwealth Actuary, ComSuper, ACTU, Canberra University as well as private sector groups and individual experts. We believe our conclusions and recommendations to be soundly based and reflect the growing gap in retirement income available to Commonwealth and State Government superannuants under government-funded defined benefit superannuation schemes compared to that available to recipients of lump sums and private sector retirees. This gap is significant and growing all the time. To correct this significant disadvantage we would invite the Committee to consider and act upon the following conclusions and recommendations.

### **Taxation**

ACPSRO concludes that the multi-faceted taxation regime now applicable to Government superannuants is discretionary and unfair compared to those applicable to private sector retirees. ACPSRO recommends that the Select Committee recommend to Government that the number of ways in which superannuation entitlements are taxed be reviewed as a matter of urgency to relieve Public Sector superannuants of the existing excessive and unfair taxation burden (paragraphs 9 to 11.).

### **Splitting Superannuation Benefits**

ACPSRO recommends that the Select Committee recommends to Government that couples in receipt of a defined benefit superannuation income stream be allowed the option to split their superannuation benefit with their spouse to reduce their taxation burden (paragraphs 12 to 19.).

Attention of the Committee is drawn to the emerging situation in respect of recently enacted Family Law legislation and the prospect of 'Clayton's divorces' (paragraphs 16 to 18).

### **Superannuation Contributions Surcharge Tax**

ACPSRO recommends that the Select Committee recommend to Government that the *Notional Surcharge Contribution Factors* applicable to military contributors in the calculation of tax surcharge liability be no greater than those applicable to Commonwealth CSS/PSS contributors. We would ask that the higher premiums now payable by military personnel be considered quite unacceptable having regard to the nature of military service (paragraphs 20 to 29).

ACPSRO further recommends that the superannuation surcharge tax be phased out entirely (paragraph 29). In making this recommendation ACPSRO wishes to point out that the cost of administering the scheme must be significant when the revenue obtained represents a very small percentage of Government revenue which could be produced by an increase in income tax rates payable by high income earners.

### **Superannuation Funds Taxation Measures**

ACPSRO invites the Select Committee to consider the particular matters raised in paragraphs 30 to 33 and at Annex A and recommends that the Committee invites the Government to examine the issues raised. We also recommend that the Heads of Government Agreement with the States be used to bring about uniformity in the taxation of superannuation funding for all Australian Public Sector Schemes (paragraph 33).

### **Indexation of Superannuation Pensions and Benefits**

ACPSRO recommends that the Select Committee recommends to Government that Commonwealth-funded superannuation benefits be indexed to MTAW or CPI, whichever is the greater, in order that recipients share in increases in living standards enjoyed by the wider Australian community. In making this recommendation ACPSRO points out that this is consistent with the Committee's previous recommendation to Government and that such increases are affordable bearing in mind the Commonwealth Actuary's assessment that the Commonwealth's liabilities in respect of defined benefit schemes are diminishing significantly when expressed as a percentage of GDP (paragraphs 49 and 50).

### **Reversionary Benefits**

ACPSRO recommends that the Select Committee invites the Government to review the reversionary pension benefits payable to widow(er)s – now 67% or less – to a more generous level. This would enable these elderly people to remain in their homes for as long as practicable, and thus conforming to Government policy (paragraphs 43 to 47).

## INTRODUCTION

1. In the Media Release by the Select Committee's Chair on 22 March 2002, ACPSRO has noted in particular that 'The inquiry will focus on just how adequate the accumulated savings of an individual will prove to be given the current taxation treatment they receive'.
2. At the outset, ACPSRO wishes to state categorically that the taxation treatment of Public Sector superannuants, not only now, but for many years past, has diminished retirement incomes markedly and has been, and still is, inequitable as well as unfair, especially where the superannuation benefit received is a non-splittable fortnightly pension payment.
3. In addition, because of the inadequacy of the indexing of their pensions, a matter recognised by the former Select Committee in its report *A 'Reasonable and Secure' Retirement?*, April 2001, the standard of living of Public Sector retirees is continuing to decline relative to the general community. The erosion of the value of their pensions since the early 1980's is not abating and this submission examines the widening gap between Public Sector CPI-indexed benefits and Male Total Average Weekly Earnings (MTAWE).
4. ACPSRO also finds a complete lack of consistency and conflict in the retirement policies enunciated by Government. We are being reminded quite frequently, and as late as Wednesday 16 May 2002 by the Treasurer in his address to the National Press Club, that long term, with our ageing population, the burgeoning cost of the Social Security budget cannot be sustained and that retirees must seek as far as possible to become self-funded. However, superannuants live in a tax regime which is in conflict with the Government's objectives.
5. The introduction of the Superannuation Guarantee Charge was a laudable move in the direction of assisting employees to become either partly or fully self-funded in retirement. ACPSRO is also aware of impending changes including a matching co-contribution to superannuation for lower income tax payers, a modest phased reduction in the contributions surcharge tax and couples being able to split superannuation contributions, not benefits, from July 2003. However, these proposed changes apply only to those still in the workforce and contributing to superannuation.
6. On the other hand, those already retired are being treated unfairly and ignored by the Government. Insofar as superannuated Public Sector retirees are concerned, there is a need for the existing overall taxation regime applied to them to be reviewed. In particular, changes to the indexation of their benefits and provision for couples receiving their superannuation as a defined benefit pension to be able to split this income for income tax purposes requires immediate attention and correction by Government.
7. Taxation of superannuation is a multiple-taxing system which effectively reduces retirement benefits and acts as a disincentive for increasing contributions and building the retirement 'nestegg'. It is a taxation regime which runs counter to reducing a retiree's reliance on Social Security assistance.
8. Because this Council's constituency comprises former Public Sector personnel, including the military, now retired from Government service, the issues raised in this submission are addressed from the perspective of being recipients of superannuation retirement benefits. However, some of the matters canvassed will also apply to Public Sector personnel still in Government employ and contributing to their respective superannuation schemes.

## TAXING OF SUPERANNUATION

9. Superannuation entitlements are taxed in the following ways:
- a. **Taxing of Superannuation Contributions.** Public Sector superannuants were required to make contributions to their employers' superannuation schemes. These contributions were a percentage of salary with options for increasing the amount, and generally ranged from 2% to 10%. All of the contributions were taxed at the time of payment. A minimum contribution rate of 2% was, and still is, for example, a compulsory payment under the Commonwealth's PSS scheme. Under the Commonwealth's CSS scheme the minimum was 5%. Contributions made prior to 1 July 1983 in excess of specified amounts were claimable as an undeducted purchase price (UPP) deductible in tax returns. Contributions post June 1983 may also be claimable as a UPP deductible amount in tax returns regardless of the amount.
  - b. **Taxing of PAYG Superannuation Pensions.** Upon retirement the fortnightly superannuation pension payment credited to the bank account of the former contributor or his/her surviving spouse is non-concessionally taxed at the normal PAYG rate applicable to the level of income.
  - c. **Taxing of Superannuation Lump Sums.** Any lump sum superannuation benefit received, referred to now as an Eligible Termination Payment (ETP), is taxed. The tax levied varies according to when accumulated, the age of the recipient and the applicable Retirement Benefit Limit (RBL). Under the CSS/PSS schemes, for example, contributions are refundable as an option with interest at retirement but only the interest component of this lump sum is taxed.
  - d. **Superannuation Contributions Tax Surcharge.** This is an additional tax introduced in 1996 which currently ranges up to 15%. It is applicable where a contributor's taxable income in each year since 1996 derived from salary, allowances and investments, plus an amount calculated against the superannuation entitlement, falls within a specified lower and upper threshold amount or is above the upper limit. These lower and upper thresholds for 2001/02 are \$85,242 and \$103,507 respectively. If the surcharge tax debt is not paid in the year in which it arises it accrues with interest and is deducted from the superannuation benefit when it is paid at retirement. Accrued amounts can be substantial.
  - e. **Superannuation Funds and Taxing.** The Commonwealth's superannuation schemes are not taxed funds and as a consequence superannuants at retirement can claim only a 15% tax concession on the component of their benefit which has been purchased out of their own contributions. These components under the Commonwealth's schemes are not indexed. Some State schemes are taxed, others are not.

10. While the above summary refers in the main to Commonwealth civilian Public Sector schemes, those in receipt of or contributing to the Commonwealth's military schemes (DFRB, DFRDB and MSBS) are subject to the same taxation regime. ACPSRO believes that this multiple-taxing of superannuation benefits adversely affects retirees and needs to be reviewed as

a matter of urgency to relieve Public Sector superannuants of the existing, excessive and unfair taxation burden.

### **Recommendation**

11. ACPSRO recommends that the Select Committee recommend to Government that the number of ways in which superannuation entitlements are taxed needs to be reviewed.

## **THE ARGUMENT FOR SPLITTING SUPERANNUATION BENEFITS**

### **Inequity of Current Treatment**

12. The most glaring inequity in the taxing of Public Sector retirees' superannuation benefits applies to couples receiving a fortnightly pension benefit from the defined benefit schemes to which the former contributor subscribed for his/her entire working life and which cannot be split with the spouse for income tax purposes. On the other hand, Public Sector retired couples receiving their superannuation benefit as a lump sum under their respective schemes can, and do, invest these funds between them as do couples receiving retirement income from non-superannuation investments. These latter couples file individual tax returns and obtain a very significant tax advantage compared to the Public Sector defined benefit scheme couples, notwithstanding that such couples may be receiving identical taxable incomes. Any reasonable person would expect that superannuant couples receiving identical taxable incomes to that of other couples would pay identical income tax.

13. The taxing of superannuant couples who pay more than another superannuant couple receiving identical taxable income is inequitable and therefore in need of urgent correction. Examples of income tax payable by these couples as at 30 June 2001 are presented in the following cases.

**Case A.** \$20,000 per annum total taxable income received as a Government (eg ComSuper) fortnightly superannuation pension by the former contributor and a part 'top-up' Social Security pension. The spouse receives a part Social Security pension. (The \$20,000 income cannot be split). *Income tax payable is \$2,628.68.*

**Case B.** \$10,000 total taxable income received by each of the couple from investments and both receive a part 'top-up' Social Security pension. (This is the splitting of the \$20,000 income in Case 'A'). *Income tax payable is \$402.24 each or \$804.48 combined.*

**Thus, the Case A couples are paying \$1,824.20 more income tax than Case B couples but both couples are in receipt of identical taxable incomes.**

**Case C.** \$30,000 per annum total taxable income received as a Government (eg ComSuper) fortnightly superannuation pension by the former contributor and a part 'top-up' Social Security pension. The spouse receives a part Social Security pension. (The \$30,000 income cannot be split.) *Income tax payable is \$6,293.68.*

**Case D.** \$15,000 total taxable income received by each of the couple from investments and both receive a part 'top-up' Social Security pension. (This is the splitting of the

\$30,000 income of Case 'C'). *Income tax payable is \$2,163.56 each or \$4,327.12 combined.*

**Thus, the Case C couples are paying \$1,966.56 more income tax than Case D couples but both couples are in receipt of identical taxable incomes.**

**Case 'E'.** \$53,000 per annum total taxable income received as a Government (eg ComSuper) fortnightly superannuation pension by the former contributor. No part Social Security pension is payable and the spouse has nil income. This income is above the cut off point for Social Security benefits and cannot be split. *Income tax payable is \$13,435.00.*

**Case F.** \$26,500 total taxable income received by each of the couple from investments. No part Social Security pension is payable. (This is the splitting of the \$53,000 income of Case E). *Income tax payable is \$4,399.50 each or \$8,799 combined.*

**Thus, the Case E couples are paying \$4,636 more income tax than Case F couples but both couples are in receipt of identical taxable incomes.**

14. The current cut-off limits for Social Security pension assistance valid until 30 June 2002 are:

Couples combined income	\$1.975 per fortnight gross
Annual amount	\$51,350 per annum gross
Couples separated by illness combined income	\$2,338 per fortnight gross
Annual amount	\$60,788 per annum gross

15. Recipients of full or part Social Security age pensions receive the pensioner concession cards. This is an added benefit not available to Public Sector superannuants receiving more than the cut-off limit for Social Security assistance and not able to split their PAYG superannuation payments for income tax purposes.

### **Impact of Family Law Changes**

16. The income splitting issue has been exacerbated by impending changes to family law which will permit divorcing couples to split their superannuation without tax penalty.

17. Unless action is taken to assist couples to maintain their marriages by allowing them to exercise the option of splitting their defined benefit scheme superannuation pensions with their spouses, pressures will be generated for couples to embark on 'Clayton's Divorces' to obtain a more advantageous income tax outcome. The possibility of such artificial divorces was raised by ACPSRO in its submission on the family law amendments but what we had to say was disregarded at that time. ACPSRO is convinced that it is irrational for any Government to support, leave alone legislate, a taxation measure which will encourage divorce.

18. There have been several press articles raising the possibility of artificial divorces as a way for couples to obtain an income tax advantage but we as a Peak Council were astounded to see the advertisement in the Canberra Times on 13 May 2002 where the public servant whom we know was involved in the development of the family law amendments is now offering advice to separating couples on splitting superannuation! (A copy of the advertisement is attached at Annex A.)



## **Recommendation**

19. ACPSRO recommends that the Select Committee recommend to Government that couples receiving their superannuation retirement benefits from defined benefit schemes as regular pension payments be allowed to exercise the option of splitting this income with a spouse for income tax purposes.

## **Superannuation Contributions Surcharge Tax**

20. Imposition of the Superannuation Contributions Surcharge Tax in 1996 does not just target the higher echelons of Public Sector (or other) employment which as a consequence means the employees at the higher end of the superannuation benefits scale. It can catch others at the lower levels of Public Sector employment including the military, many of whom hold down key operational posts.

21. This tax is levied against taxable incomes above amounts of \$85,242 rising to 15% on amounts of \$103,507 and more for 2001/02. In earlier years the thresholds were lower, eg in 1996/97 when the tax was introduced, they were \$70,000 and \$85,000. For surcharge purposes the taxable income is a combination of income from salaries, allowances and investments **plus a notional value given to the superannuation entitlement**. It means that any Public Sector contributor to superannuation, civilian or military, who has taxable income accumulating through astute investing, saving diligently, or inheritance, to which is added the notional superannuation valuation component, can be caught in the surcharge web.

22. A major complaint ACPSRO has received concerns the very great difference in notional superannuation value being applied to the Defence Force Retirement and Death Benefits scheme (DFRDB) contributors compared to the notional value accorded contributors to the Commonwealth Superannuation Scheme (CSS). Similar differences also exist between the MSBS as well as the DFRDB and the civilian CSS/PSS schemes.

23. In a letter of February 2001 originated by the Government Actuary and copied to us by the recipient for information, it is stated 'that the DFRDB retirement benefits are provided on more favourable and valuable basis compared with the CSS'. Elsewhere it says 'that in essence, the legislation requires surchargeable contributions to be calculated as the value of benefits accrued in a year and the insurance cover provided. The value of benefits accrued during the year includes not only retirement benefits but also resignation, death and invalidity benefits'.

24. To arrive at the notional value of the superannuation entitlement, actuarial calculations are made taking into consideration age, years of service, gender etc which produces *Notional Surchargeable Contribution Factors* (NSCFs) expressed as a percentage. These are applied as a percentage of salary received during the financial year and this percentage of salary is the total surchargeable contribution for that year. This is added to the taxable income derived from the same salary as well as allowances, investments, etc, and if this 'adjusted taxable income' total falls within the upper and lower thresholds or above, surcharge tax is levied. The tax rate is a phased amount being zero if under the lower threshold and currently 15% at the upper threshold or above.

25. Bearing in mind the potentially hazardous and high risk nature of military service compared to civilian Public Sector employment, we find it difficult to accept that the claimed higher value of military superannuation cover should provide a valid reason for applying a higher rate of surcharge tax compared to any other non- military cases.

26. ACPSRO has noted that the Government Actuary's 1999 long term cost report states that the Notional Employer Contribution rates for the MSBS and DFRDB military superannuation schemes as at 30 June 1999 (the latest available data) are 22.3% for the MSBS and 33.0% for the DFRDB or 25.4% combined, as a percentage of salaries. The same rates for the CSS and PSS are 21.9% and 14.2% respectively or 17.2% combined. On this basis, the employer contribution for the military schemes is higher than for the CSS/PSS superannuation schemes, but because of the entirely different nature of military service it would not be unreasonable to expect an employer to be contributing more compared to the non-military requirement. Anyone engaged in a risk occupation seeking insurance cover pays higher insurance premiums and Governments must surely accept this situation for their military personnel and not penalise them compared to other Government contributors, as is the present case with the surcharge tax.

27. Furthermore, in the same Government Actuary's report referred to above, it is noted that the projection of the employer's actual costs for the MSBS/DFRDB for the next 40 years is stated to be 0.18% of GDP at present but falling to around 0.10% of GDP in the longer term. If the employer costs are not increasing in the longer term as a percentage of GDP there is no justification for applying the surcharge tax to help reign in burgeoning military superannuation costs. Military superannuation costs are simply not burgeoning. Although elsewhere in this submission we are asking for long overdue changes to the indexing of superannuation for both civil and military Public Sector superannuants, the added cost of, say, an index which is 1% or at most 2% higher than CPI would, in our view, still have only a modest and manageable impact on budget outlays in both the short and longer term.

28. Taxing superannuants in this manner by applying in effect a second tax on salaries when they are endeavouring to provide for their own self-funded retirement, albeit at a higher level than perhaps the average citizen, is unfair and is another example of a policy operating counter to the Government's objectives for people to become self-funded. The cost of administering the surcharge taxing arrangements must be significant and therefore raises the further question as to whether it is even an effective tax.

### **Recommendation**

29. ACPSRO recommends that the Select Committee recommend to Government that:

- a. The higher 'notional employer contribution rate' as a percentage of salaries for military personnel contributing to the DFRDB and MSBS superannuation schemes be accepted by Government as a higher premium payable because of the potentially hazardous and high level of risk faced by the ADF;
- b. The notional surcharge contribution factors being applied to military contributors in calculating their tax surcharge liability be no greater than those applied to contributors to the Commonwealth's CSS/PSS schemes bearing in mind subparagraph 'a' above; and
- c. The superannuation contributions surcharge tax be phased out entirely.

### **Superannuation Funds and Taxing**

30. The matter of the Commonwealth's superannuation schemes being classified as *untaxed* means that the only claim Commonwealth Public Sector superannuants have, both civilian and

military, to the 15% tax rebate available to other superannuants, is where additional pension is purchased out of the superannuant's own contributions.

31. There has been concern among Public Sector superannuants for some considerable time that where the gross pension benefit is paid from an *untaxed* source, for example in the Commonwealth's case, consolidated revenue, the recipients net income may be less than where the same gross benefit is being paid from a *taxed* source.

32. Our member association *SA Superannuants* has examined this view of an advantage being gained where the funding source is taxed. Their investigation, based on their own State defined benefits scheme, reveals that where a superannuant couple receiving \$35,000 gross as a superannuation pension and the spouse has no separate income, the net income, if paid from a *taxed* source, is significantly higher compared to the net income if the funding source is *untaxed*. The *SA Superannuant's* paper is attached at Annex B for consideration by the Committee with a view to initiating action on behalf of Commonwealth Public Sector superannuants to have this matter examined insofar as the taxing status of their defined benefits schemes are concerned.

### **Recommendation**

33. ACPSRO recommends the Select Committee recommend to Government that:

- a. If, following examination of the taxing status of the funding source for payment of Commonwealth superannuation benefits, it is found that recipients are disadvantaged, compared to superannuants receiving their benefits from a *taxed* source, the anomaly be corrected; and
- b. The Commonwealth, in terms of the Heads of Agreement with the States, liaise with State authorities to bring about uniformity in the taxation of superannuation funding sources for all Australian Public Sector schemes.

## **INDEXING OF SUPERANNUATION PENSIONS**

### **Previous Senate Committee Recommendation**

34. The former Senate Select Committee on Superannuation and Financial Services in its report of April 2001 *A 'Reasonable and Secure' Retirement?*, following receipt of many submissions and taking evidence at public hearings, must have been convinced that CPI indexing of Public Sector, including the Defence Force, superannuation pensions was no longer appropriate. This view of the inadequacy of CPI indexing was conveyed in the former Committee's recommendation 1 which said: 'The Committee recommends that the Government examine the feasibility of adopting an indexation method other than the Consumer Price Index (CPI) for Commonwealth public sector and defence force superannuation schemes, to more adequately reflect the actual increases in the cost of living'.

35. ACPSRO was disappointed that the former Select Committee did not go the further step of including in the recommendation that an appropriate indexing change would be for the Government to introduce indexing for these pensions by applying the higher of the CPI or Male Total Average Weekly Earnings (MTAWE). This indexing would be entirely consistent with the indexing policy legislated by the Government, with strong support from the Opposition, in 1997

to benchmark Social Security aged persons pensions to the CPI or 25% of MTAW, whichever is the higher. Since the Former Select Committee's April 2001 inquiry report, the Government has also announced its intention to introduce indexing of veterans' widows' income support supplementary payments by the higher of the CPI or MTAW.

36. Clearly, the Government has accepted the need for these other pensions to be indexed as we propose if the value of these other pensions are to be maintained at a fair and reasonable level and allow recipients to share in increases in community living standards. Therefore, there appears to be no valid reason whatsoever for the Government not to apply the same indexing policy to Public Sector superannuation pensions.

### **Other Views on Indexation**

37. ACPSRO is not alone in its view that the CPI alone is an inadequate method of indexing for cost of living adjustments. There is no disagreement among statisticians or persons who have studied the subject in any depth that the CPI is at best a very rough indicator of changes in the cost of living and has serious inadequacies as a measure of compensation for such changes.

38. Some emphasis can be given to the argument for a change to the indexation method by the attitude of the Australian Bureau of Statistics which has this to say about the matter:

‘The 14<sup>th</sup> series CPI has been specifically designed *as a general measure of price inflation for the household sector as a whole*.....

‘Although the CPI is also commonly referred to as a measure of changes in purchasing power or a cost-of-living index, in an economic context these terms are not strictly interchangeable with a measure of price inflation. Their measurement would require separate, purpose built indexes. A single index cannot be expected to adequately fulfil all these roles.....

‘An index designed to measure changes in the purchasing power of household incomes would need to be concerned with changes in the costs of all expenditures made from household income. Such a measure would include items like income tax and interest payments.

‘A true cost-of-living index, among other things, would need to be concerned with changes in standards of living and with the substitutions that consumers make in order to maintain their standard of living when faced with changing market conditions.....

‘The CPI on the other hand is constructed by reference to a basket consisting only of actual goods and services acquired by households. Further, as the composition of this basket is held fixed from period to period, it cannot accurately reflect changing consumer preferences and substitutions made in response to changes in relative prices.....

‘The CPI does not measure those changes in living costs which may be experienced by individual households as a direct consequence of their progression through the life cycle.....

‘As the CPI aims to measure price changes for a fixed basket of goods and services over time, identical or equivalent items must be priced in successive periods. However, products do change; their components or ingredients may change resulting in an

improvement or degradation in quality. As the characteristics of products are altered, the statisticians responsible for the price index attempt to separate the effects of a quality change from the underlying price change so that the CPI measures 'pure' price change.....'

(Source: ABS publication *A Guide to the Consumer Price Index, 14<sup>th</sup> Series, pp3 to 10.*)

39. The ABS comments quoted above support our contention that indexation of self-funded superannuation by use of the CPI has, among other things, the following imperfections:
- a. It does not allow self-funded retirees to share equitably in the progressively improving standards of living enjoyed by the working community (and, more recently also to a significant extent, by aged pensioners), especially over longer terms of retirement;
  - b. It does not adequately reflect the changing expenditure patterns of self-funded retirees as they progress through the final stages of their life cycle; and
  - c. It deducts from the cost of any item in the standard basket any component of the latest cost of the item that can be attributed to product improvement, thereby constraining self-funded retirees to purchasing inferior products or forgoing some other expenditures to acquire improved items; it implies, for example, that a self-funded retiree who left the work force, say 10 years ago, does not merit compensation to allow him/her to join with the general community in having power steering or ABS brakes on a newly acquired motor car.
40. As the ABS has made clear, no index presently exists to truly reflect cost-of-living changes. What can be added is this:
- a. The statistic that potentially reflects most adequately the changing costs of living and the changing standards of living in the community is the Male Total Average Weekly Earnings (MTAWE) compiled by the ABS;
  - b. The Government's choice of this index as a supplementary vehicle to the CPI for indexing aged pensions bears testimony to the point just made; and
  - c. The relevance of the two indexes used in conjunction, as the Government has decreed in the case of aged pensions, can be seen by examination of Tables 1 and 2.
41. Table 1 (at Annex C) compares how an initial pension of \$5,000 would have been adjusted by the CPI and by the MTAWE Index respectively over the period 1 July 1984 to 30 June 2001. Between 1984 and 1994 the CPI adjustment exceeded the MTAWE index adjustment by a small amount. From 1995 to 1997 a similar small advantage lay with the MTAWE index. Thereafter, the MTAWE index differential rose dramatically. Throughout this evolutionary process, aged pensioners deservedly shared at least to some extent in growing national prosperity and rising standards of living but, for reasons articulated by the ABS, fully self-funded retirees did not.
42. Table 2 (at Annex D) shows how a pensioner couple would have fared in the period 1 July 1983 to 30 June 2002, had their pensions been adjusted in the same way as Commonwealth superannuation was determined over the period. If we make the bold assumption that aged

pensioners have been adequately compensated for price rises and changes in community standards of living, these figures provide a rough yardstick of how far the superannuant has fallen behind. The large disparities between CPI indexation and MTAWA indexation shown in Table 1 for the years 1999 to 2001 suggest that the superannuant is going to suffer increasing disadvantage unless a more equitable index than the CPI is used to adjust superannuation in the future.

### **Surviving Spouse Pensions**

43. The pension rate payable to a surviving spouse of a Public Sector superannuant is generally 2/3rds or 67% of the former contributor's full pension payment. There are, however, exceptions to the 67% provision. Under the Military DFRDB scheme the applicable formula reduces the amount payable to less than 67%. In the case of 1922 Act surviving spouses, the rate for some is only 54% depending on an election made by the former contributor where the option of 67% in lieu of 54% was available at a cost.

44. These rates can only be described as discriminatory when compared to the 83% allowed for the surviving spouses of former contributors to the Parliamentary Contributory Superannuation scheme which are also indexed to the movements in Parliamentary salaries, not the CPI as for Public Sector retirees.

45. Some surviving spouses find it difficult to survive on such reduced rates when continuing to live in the family home. Although food and clothing bills are expected to be lower for one than two in the household, the facts are that the surviving spouse still:

- a. Uses the same amount of electricity or gas to cook, run the refrigerator and heat water and the house;
- b. Pays the same rent or council rates as a married couple;
- c. Pays the same insurance on house and contents; and
- d. Pays the same amount to run a motor vehicle.

In the majority of cases, female surviving spouses face the added costs of maintenance, repairs and gardening which was probably undertaken by the deceased male partner.

46. Bearing in mind that the Government prefers elderly people to remain in their own homes for as long as possible rather than move into aged care accommodation, the need to maintain the value of superannuation benefits by adequately indexing pensions is of paramount importance, especially when the surviving spouse situation is also taken into account. A significant increase in the surviving spouse benefit is merited.

### **Recommendation**

47. ACPSRO recommends that the Select Committee, in further considering the need to change the indexation of Public Sector superannuation to a wage-based index, recognises the less than adequate conditions applicable to a surviving spouse facing a reduction to 67% or less of the full rate pension.

## Cost of Changing Indexation Process

48. In seeking a long overdue change to the indexing of Public Sector superannuation pensions where the higher of the CPI or MTAWWE is applied, ACPSRO is convinced that the costs, where MTAWWE may be 1 to 2% higher than the CPI, would be easily manageable within budgets.
49. Examination of the Australian Government Actuaries 1999 triennial long-term cost projections reveals that the actual Commonwealth employer costs for the CSS/PSS schemes are forecast to reduce from 0.4% of GDP in 1999 to 0.2% in 2044. The Commonwealth employer costs for the MSBS/DFRDB Military schemes from 1999 to 2040 (40 years) are also forecast to reduce from 0.18% of GDP in 1999 to 0.10% in 2040.
50. In the same actuarial reports the unfunded liabilities for the Commonwealth's civilian CSS/PSS schemes and the military DFRDB/MSBS schemes are shown as reducing as a percentage of GDP in the longer term of 40 to 45 years. Even in the shorter term from 1996 when previously reported up until 1999, the current report, the CSS/PSS unfunded liabilities as a percentage of GDP have reduced from 9 to 8 percent. The DFRDB/MSBS unfunded liabilities have also reduced over this same three-year period from 4.4% to 4% of GDP.
51. It is noted with interest that in the actuarial report concerning the unfunded liabilities for the military schemes the following statement is made: 'The general trend shown is clearly favourable and means that the level of unfunded liabilities should not be seen as a matter of concern'. Although a similar statement is not made in the CSS/PSS actuarial long-term cost report, the fact that these unfunded liabilities are also shown as reducing, must surely mean that the unfunded liabilities are not a cause for concern either.
52. Using the 30 June 2001 figures for the number of Commonwealth civilian and military pensions in force at that date, ACPSRO has calculated the actual value of all of these pensions and indexed them by 3%, 4%, 4.5% and 5% and these are shown at Annex E. To determine the actual dollar increase required where MTAWWE is, for example say, 1 percentage point higher at 4% than the CPI at, say, 3% the grand totals at the bottom of the columns are subtracted from each other. This shows that for the DFRDB/MSBS pensions the 1% increase in the indexing over CPI for that year would have added \$9,868,294 gross to the annual cost and the increase gross cost for the CSS/PSS for the same year would be have been \$27,076,640. It is important to recognise that these cost calculations include any preserved benefits which became payable in that year as preserved benefits mature progressively over time.
53. ACPSRO is of course aware that these costs are not accrued cost but we find that the cost of legislative changes to benefits paid out of revenue are not always reported to the House in accrual accounting terms. A recent example is the *Veterans' Entitlements Amendment (Gold Card Extension) Bill 2002* where in the accompanying Explanatory Memorandum the financial impact of this extension of the Gold Card is shown as a net outlay for each financial year 2002-03 to 2005-06 of \$16.4m rising to \$30.4m. There is no reference to the long-term liabilities arising and net annual outlays are obviously what needs to be provided in annual budgets. Previous references to the cost of changing the indexing to a wage-based process have been in long-term unfunded liabilities, and accrual amounts which, in our view, have confused the cost issue.
54. The combined annual cost increase for the Commonwealth's civilian and military schemes by changing the indexing to CPI/MTAWWE, whichever is the higher, is entirely

manageable, and as pointed out by the Commonwealth actuary concerning current long-term costs, 'is not a matter for concern'.

### **Recommendation**

55. ACPSRO recommends that the Select Committee initiate an examination of the real costs associated with a change of indexing Public Sector superannuation schemes to CPI or MTAWA.

- Annexes:**
- A. Copy of newspaper advertisement
  - B. Taxed Vs Untaxed Superannuation Schemes
  - C. Table 1 - CPI/MTAWA Indexing Comparisons
  - D. Table 2 - Age Pension Indexing
  - E. Indexation of Military and Civilian Commonwealth Pensions



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CT 13 May 02

## **TAXED Vs UNTAXED SUPERANNUATION SCHEMES**

South Australian Government superannuation schemes are constitutionally protected untaxed schemes. The Funds do not pay tax on contributions or on investment earnings.

*SA Superannuants* has sought an assurance from the SA Government that the *untaxed* status of the SA Public Sector pension scheme is not disadvantaging some members, compared with members of taxed pension schemes.

The *untaxed* status of the South Australian scheme might give the appearance that members are in a very advantageous position in comparison to taxed schemes. However, members of *untaxed* schemes pay normal income tax (other than on the proportion representing the undeducted purchase price) when the benefit is received in the form of a pension. They are not able to claim the 15% income tax offset that is associated with SIS regulated *taxed* schemes.

Whilst at first glance this may seem a reasonable outcome (ie no tax offset during the benefits phase because tax was not paid by the Fund during the accumulation phase) there are other factors that this simplistic conclusion fails to recognise.

Members of both types of scheme (taxed and untaxed) were subjected to the same tax environment prior to July 1983.

However, where a pension fund is entirely *untaxed* as is the case with the SA State pension scheme, even those members who have substantial amounts of pre July 1983 service pay normal tax rates on the entire pension (other than the undeducted purchase price). They receive no 15% tax offset on any part of the taxable amount even though their pensions are partly derived from money that accumulated prior to 1983.

This is in stark contrast to members of *taxed* pension schemes who have pre July 1983 service. For these people, the 15% tax offset applies to the pre July 1983 component of their benefit just as it does to post July 1983 component.

Moreover, a person who commutes a pension from an *untaxed* fund has their pre July 1983 service taken into account when the tax payable on the lump sum is calculated. The larger the proportion of the pre July 1983 service the less tax is paid.

It therefore seems reasonable that pre July 1983 service should also be allowed to reduce the tax payable when the benefit is received as a pension from an *untaxed* public sector fund.

This could be achieved by:

- . Commuting the existing untaxed pension,
- . Payment of lump sum tax on the commuted amount and
- . Rolling over the lump sum to a new South Australian public sector complying pension fund.

*SA Superannuants* appreciates that it can only expect the State Government to cooperate on the basis that the change will not increase the long-term employer cost of delivering the benefit. Therefore, after making an allowance for tax payable on the rollover, the new complying pensions would have to be less than existing pensions.

Importantly, a superannuation pension that has been reduced due to the taxation liability of the Fund carries with it entitlement to a higher Centrelink Age Pension by virtue of the income test applied by Centrelink. For every dollar reduction in a superannuation pension, because of the Fund's tax liability, 40% can be recovered by part Age Pension recipients through an increase in the amount of their Age Pension.

The caveat is that the member must qualify for the Age Pension.

Attached as Appendix 1 is a calculation based on a 'typical' pension scheme member who retires today. In the calculation the current Super SA commutation factor is used. Different commutation factors alter the absolute amount of tax payable but when expressed as a fraction of the total lump sum the effect is relatively small.

It appears that if pensions were reduced by an amount equal to the tax liability of the Fund, many superannuants will, after allowing for the 15% pension tax offset plus an increased Age Pension entitlement, receive a higher net income if the superannuation pension fund were a taxed scheme.

The more favourable outcome for a taxed scheme is not contingent upon obtaining a higher part Age Pension. The higher Age Pension is in addition to the net financial advantage a member might obtain from just the 15% tax offset.

The incomes of some members are low and they pay little or no tax at present. These members would not gain if they became eligible for a tax offset. Some may even be worse off. Therefore, it is important that transfer to a taxed scheme be entirely voluntary. Dividing the pension scheme and giving members a choice of either voluntarily transferring to the *taxed* version or staying in the *untaxed* version is the obvious solution.

Unfortunately, the complex nature of taxation and Centrelink regulations will make it extremely difficult for the average member to make an informed decision on whether or not to transfer to the *taxed* environment. Nevertheless, that should not exclude them from the right to have the choice

*SA Superannuants* makes no claim to expert knowledge in the complex field of taxation and Centrelink regulations. On the basis of non-expert calculations performed within the Association, however, we have put to the South Australian Government an argument that there is prima-facie evidence the untaxed nature of the South Australian pension scheme is a disadvantage for many members of the scheme.

It is conceded that it is the responsibility of the SA Government, not the Federal Government, to manage the State superannuation scheme in the best interests of members. That includes deciding whether to operate the scheme as a taxed or untaxed scheme. However the Heads of Government Agreement on Superannuation provides the Commonwealth with an opportunity to be involved.

Following our approach to the South Australian Government we were advised that a review of the tax status of the Fund is to be conducted, and *SA Superannuants* will certainly be interested in the outcome of that review.

It is emphasised that the forgoing observations relate only to untaxed defined benefit *pension* schemes. *Accumulation* schemes, both taxed and untaxed, provide their members with the full advantage available from any pre 1 July 1983 service. There may also be other considerations that result in quite different conclusions for accumulation schemes.

### Comparison of Pensions from Untaxed and Taxed Sources

A typical retiree from the SA State Superannuation Pension Scheme is aged 60 and receives a \$35,000 annual pension.

Other assumptions for this analysis are:

Undeducted contributions .....	\$38,000
Proportion of the eligible service period that is pre 1 July 1983 .....	1/3
The commutation factor for the pension .....	10.5
Lump sum value of the pension (\$35,000 x 10.5) .....	\$367,500

If \$367,500 is taken to be the sum rolled over to purchase a new pension (that will be paid from a *taxed* source) then the contribution tax payable is 15% of the post 30 June 1983 amount.

The amount of (contribution) tax payable on the rollover is therefore calculated as follows:

Pre 1 July 1983 component (\$367,500 x 1/3).....	\$122,500
Post 30 June 1983 taxable component (\$367,500 - \$122,500 - \$38,000).....	\$207,000
Tax Payable (\$207,000 by 15%) .....	\$31,050

If \$31,050 is paid as tax, the new pension will have to be reduced in the same proportion that the tax represents of the \$367,500 total lump sum value.

Pension reduction (31,050 / 367,500).....	8.45%
New pension as a proportion of the original pension (100% - 8.45%).....	91.55%
New pension (\$35,000 x 91.55%).....	\$32,043

This new pension will be rebatable and we can compare the after tax values of the original pension from the untaxed fund with the new rebatable pension.

We first calculate the deductible amount, which is the same for both pensions. The deductible amount is the undeducted contributions divided by life expectancy; therefore:

Deductible amount (\$38,300 / 20.05 yrs) is.....	\$1,895
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The following tables compare the net incomes for each type of pension.

In Table 1 the comparison is made assuming the superannuant is below Age Pension Age and has a dependent spouse with no separate net income.

**Table 1: Comparison Before Pension Age**

<b>Item</b>	<b>Untaxed Source Pension</b>	<b>Taxed Source Pension</b>
Gross pension	\$35,000	\$32,043
Deductible amount	\$1,895	\$1,895
Taxable amount	\$33,105	\$30,148
Tax payable	\$6,312	\$5,424
Medicare payable	\$497	\$452
Dependent spouse offset	\$1,365	\$1,365
Superannuation offset	Nil	\$4,522
Tax payable after offsets	\$4,947	\$Nil
<b>Net income</b>	<b>\$29,556</b>	<b>\$31,591</b>

In Table 1 the smaller taxed source pension is, after tax, worth \$2,035 per annum more than the larger untaxed source pension.

In Table 2 the comparison is made assuming the superannuant has reached Age Pension age. The additional income which becomes available as a Centrelink payment and the tax reduction due to availability of the Age Pension tax offset are both taken into account.

The only line item where the untaxed source pension is superior to the taxed source pension is the Dependent Spouse Offset. The lower, taxed source pension produces an increased Centrelink entitlement, therefore the spouse has a larger separate net income and this reduces the Dependent Spouse Offset that the superannuant may claim, compared to that which can be claimed under the larger *untaxed* source pension.

**Table 2: Comparison After Pension Age**

<b>Item</b>	<b>Untaxed Source Pension</b>	<b>Taxed Source Pension</b>
Gross pension	\$35,000	\$32,043
Deductible amount	\$1,895	\$1,895
Centrelink payment	\$6,804	\$7,836
Tax payable	\$7,332	\$6,622
Dependent spouse offset	\$585	\$437
Superannuation offset	Nil	\$4,522
Pension offset	\$1,856	\$2,152
Tax payable after offsets	\$4,890	Nil
Medicare	\$548	\$512
<b>Net income</b>	<b>\$36,366</b>	<b>\$39,517</b>

***In Table 2 the smaller taxed source pension is, after tax, worth \$3,151 per annum more than the larger untaxed source pension.***

This is the basis of SA Superannuants' concern that many SA State Pension Scheme members are disadvantaged by delivery of their benefit from a fund that is entirely untaxed. We would like to see the Commonwealth Government use the Heads of Government Agreement on Superannuation to assist us in obtaining a clear statement from the SA Government on the validity of our claim.

TABLE 1

Comparison of \$5,000 adjusted by the CP Index with \$5,000 adjusted proportionally in line with the yearly movement of Adult Male Full Time Total Average Weekly Earnings (MTAWE)  
(All data used in compiling this table come from information published by the Australian Bureau of Statistics)

Year 12 months to 30-Jun	CPI Number 12 months to 30-Jun (ABS Data)	CPI Number Re-calculated with base year adjusted to 1984 - 1985	Male Adults Full Time, Av Total Weekly Earnings (\$) (MTAWE, ABS Data)	MTAWE Index Number (Calculated)	\$5,000 adjusted by CP Index No	\$5,000 adjusted by MTAWE Index No	Yearly Advantage of CP Index	Yearly Advantage of MTAWE Index
1982	54.6							
1983	60.9							
1984	65.0							
1985	67.8	100.0	427.80	100.0	\$5,000	\$5,000		
1986	73.5	108.4	455.30	106.4	\$5,420	\$5,321	\$99	
1987	80.4	118.6	487.50	114.0	\$5,929	\$5,698	\$231	
1988	86.3	127.3	518.90	121.3	\$6,364	\$6,065	\$300	
1989	92.6	136.6	559.50	130.8	\$6,829	\$6,539	\$290	
1990	100.0	147.5	598.60	139.9	\$7,375	\$6,996	\$378	
1991	105.3	155.3	632.70	147.9	\$7,765	\$7,395	\$371	
1992	107.3	158.3	655.90	153.3	\$7,913	\$7,666	\$247	
1993	108.4	159.9	672.60	157.2	\$7,994	\$7,861	\$133	
1994	110.4	162.8	695.70	162.6	\$8,142	\$8,131	\$10	
1995	113.9	168.0	729.30	170.5	\$8,400	\$8,524		\$124
1996	118.7	175.1	761.90	178.1	\$8,754	\$8,905		\$151
1997	120.3	177.4	787.40	184.1	\$8,872	\$9,203		\$331
1998	120.3	177.4	819.60	191.6	\$8,872	\$9,579		\$708
1999	121.8	179.6	846.10	197.8	\$8,982	\$9,889		\$907
2000	124.7	183.9	868.60	203.0	\$9,196	\$10,152		\$956
2001	132.2	195.0	906.40	211.9	\$9,749	\$10,594		\$844
				TOTALS	\$131,556	\$133,518	\$2,059	\$4,021

TABLE 2

A comparison is made between the aged pension actually paid to a pensioner couple with what would have been paid to them had their pensions been indexed from 1983 onwards in the same way as Commonwealth superannuation payments are determined by Comsuper

Year 12 months ending at 30-Jun	Full Age Pension Full Year Married couple Calculated from ABS data and adjusted for each year to 30 June	CPI % 12 months to 31 March (ABS Data)	CPI % Figure used by Comsuper to adjust super 12 months to 30-Jun (Comsuper Data)	Hypothetical Comsuper CPI adjustment of aged pension of \$6673 starting on 1-Jul-83	Yearly advantage of aged pension over hypothetical Comsuper CPI adjustment	Cumulative advantage of aged pension over hypothetical Comsuper CPI adjustment
1982		10.5				
1983	\$6,673	11.4	10.5	\$6,673	\$0	\$0
1984	\$7,389	5.9	11.4	\$7,434	-\$44	-\$45
1985	\$7,931	4.4	5.9	\$7,872	\$59	\$14
1986	\$8,436	9.2	4.4	\$8,219	\$217	\$231
1987	\$9,046	9.4	9.2	\$8,975	\$71	\$303
1988	\$9,907	6.9	9.4	\$9,818	\$88	\$391
1989	\$10,606	6.8	6.9	\$10,496	\$110	\$501
1990	\$11,551	8.6	6.8	\$11,210	\$341	\$842
1991	\$12,661	4.9	8.6	\$12,174	\$487	\$1,330
1992	\$13,131	1.7	4.9	\$12,770	\$360	\$1,690
1993	\$13,385	1.2	1.7	\$12,987	\$398	\$2,088
1994	\$13,697	1.4	1.2	\$13,143	\$554	\$2,641
1995	\$13,969	3.9	1.4	\$13,327	\$642	\$3,283
1996	\$14,558	3.7	3.9	\$13,847	\$711	\$3,994
1997	\$15,005	1.3	3.7	\$14,359	\$645	\$4,640
1998	\$15,169	0.0	1.3	\$14,546	\$623	\$5,262
1999	\$15,526	1.1	0.0	\$14,546	\$980	\$6,243
2000	\$15,925	2.8	1.1	\$14,706	\$1,219	\$7,461
2001	\$17,130	6.0	2.8	\$15,118	\$2,013	\$9,474
2002	\$17,873		6.0	\$16,025	\$1,848	\$11,322
TOTALS	\$249,566			\$238,244	\$11,322	



Annex E to  
ACPSRO Submission

MSBS and DFRDB Pensions in Force as at 30 June 2001

Minimum	Maximum	Number Pensioners	Maximum Value	3%	4%	4.5%	5.0%
0	1000	167	167,000	5,010	6,680	7,515	8,350
1000	1999	216	431,784	12,954	17,271	19,430	21,589
2000	2444	86	210,184	6,306	8,407	9,458	10,509
2445	2999	166	497,834	14,935	19,913	22,403	24,892
3000	3999	298	1,191,702	35,751	47,668	53,627	59,585
4000	4264	59	251,576	7,547	10,063	11,321	12,579
4265	4999	242	1,209,758	36,293	48,390	54,439	60,488
5000	5999	521	3,125,479	93,764	125,019	140,647	156,274
6000	6999	1,005	7,033,995	211,020	281,360	316,530	351,700
7000	7999	1,098	8,782,902	263,487	351,316	395,231	439,145
8000	8999	998	8,981,002	269,430	359,240	404,145	449,050
9000	9999	1,343	13,428,657	402,860	537,146	604,290	671,433
		6,199	45,311,873	1,359,356	1,812,475	2,039,034	2,265,594
10000	10999	2,222	24,439,778	733,193	977,591	1,099,790	1,221,989
11000	11999	3,459	41,504,541	1,245,136	1,660,182	1,867,704	2,075,227
12000	12999	4,486	58,313,514	1,749,405	2,332,541	2,624,108	2,915,676
13000	13999	5,168	72,346,832	2,170,405	2,893,873	3,255,607	3,617,342
14000	14999	5,741	86,109,259	2,583,278	3,444,370	3,874,917	4,305,463
15000	15999	6,087	97,385,913	2,921,577	3,895,437	4,382,366	4,869,296
16000	16999	4,699	79,878,301	2,396,349	3,195,132	3,594,524	3,993,915
17000	17999	3,527	63,482,473	1,904,474	2,539,299	2,856,711	3,174,124
18000	18999	2,578	48,979,422	1,469,383	1,959,177	2,204,074	2,448,971
19000	19568	45	880,560	26,417	35,222	39,625	44,028
19569	19999	1,908	38,158,092	1,144,743	1,526,324	1,717,114	1,907,905
		39,920	611,478,685.00	18,344,360.55	24,459,147.40	27,516,540.83	30,573,934.25
20000	20540	872	17,910,880	537,326	716,435	805,990	895,544
20541	21999	1,994	43,866,006	1,315,980	1,754,640	1,973,970	2,193,300
22000	22999	1,036	23,826,964	714,809	953,079	1,072,213	1,191,348
23000	23999	916	21,983,084	659,493	879,323	989,239	1,099,154
24000	24999	824	20,599,176	617,975	823,967	926,963	1,029,959
25000	25999	810	21,059,190	631,776	842,368	947,664	1,052,960
26000	26999	711	19,196,289	575,889	767,852	863,833	959,814
27000	27999	670	18,759,330	562,780	750,373	844,170	937,967
28000	28999	555	16,094,445	482,833	643,778	724,250	804,722
29000	29999	413	12,389,587	371,688	495,583	557,531	619,479
		8,801	215,684,951	6,470,549	8,627,398	9,705,823	10,784,248
30000	30999	392	12,151,608	364,548	486,064	546,822	607,580
31000	31999	371	11,871,629	356,149	474,865	534,223	593,581
32000	32999	260	8,579,740	257,392	343,190	386,088	428,987
33000	33999	230	7,819,770	234,593	312,791	351,890	390,989
34000	34268	55	1,884,740	56,542	75,390	84,813	94,237
34269	34999	144	5,039,856	151,196	201,594	226,794	251,993
35000	35999	181	6,515,819	195,475	260,633	293,212	325,791
36000	36999	174	6,437,826	193,135	257,513	289,702	321,891
37000	37999	146	5,547,854	166,436	221,914	249,653	277,393
38000	38999	115	4,484,885	134,547	179,395	201,820	224,244
39000	39999	105	4,199,895	125,997	167,996	188,995	209,995
		2,173	74,533,622	2,236,009	2,981,345	3,354,013	3,726,681
40000	40999	82	3,361,918	100,858	134,477	151,286	168,096
41000	41999	72	3,023,928	90,718	120,957	136,077	151,196
42000	42999	79	3,396,921	101,908	135,877	152,861	169,846
43000	43999	62	2,727,938	81,838	109,118	122,757	136,397
44000	44999	63	2,834,937	85,048	113,397	127,572	141,747
45000	45999	52	2,391,948	71,758	95,678	107,638	119,597
46000	46999	51	2,396,949	71,908	95,878	107,863	119,847
47000	47999	48	2,303,952	69,119	92,158	103,678	115,198
48000	48999	36	1,763,964	52,919	70,559	79,378	88,198
49000	49999	30	1,499,970	44,999	59,999	67,499	74,999
		575	25,702,425	771,073	1,028,097	1,156,609	1,285,121
50000	50999	32	1,631,968	48,959	65,279	73,439	81,598
51000	51999	23	1,195,977	35,879	47,839	53,819	59,799
52000	52999	20	1,059,980	31,799	42,399	47,699	52,999
53000	53999	10	539,990	16,200	21,600	24,300	27,000
54000	54999	20	1,099,980	32,999	43,999	49,499	54,999
55000	55999	130	7,279,870	218,396	291,195	327,594	363,994
56000	56999	1	56,999	1,710	2,280	2,565	2,850
57000	57999	2	115,998	3,480	4,640	5,220	5,800
58000	58999	3	176,997	5,310	7,080	7,965	8,850
59000	59999	1	59,999	1,800	2,400	2,700	3,000
		242	13,217,758	396,533	528,710	594,799	660,888
60000	60000	15	900,000	27,000	36,000	40,500	45,000
Grand Total		57,925	986,829,314	29,604,879	39,473,173	44,407,319	49,341,466

Civilian Pensions in Force as at 30 June 2001

Minimum	Maximum	Number Pensioners	Maximum Value	3%	4%	4.5%	5.0%
-	9,999	24,289	242,865,711	7,285,971	9,714,628	10,928,957	12,143,286
10,000	19,999	48,040	960,751,960	28,822,559	38,430,078	43,233,838	48,037,598
20,000	29,999	30,228	906,809,772	27,204,293	36,272,391	40,806,440	45,340,489
30,000	39,999	10,086	403,429,914	12,102,897	16,137,197	18,154,346	20,171,496
40,000	49,999	2,651	132,547,349	3,976,420	5,301,894	5,964,631	6,627,367
50,000	59,999	740	44,399,260	1,331,978	1,775,970	1,997,967	2,219,963
60,000	60,000	281	16,860,000	505,800	674,400	758,700	843,000
		116,315	2,707,663,966	81,229,919	108,306,559	121,844,879	135,383,198