

Senate Select Committee on Superannuation and Financial Services

**The benefit design of Commonwealth public
sector and defence force unfunded
superannuation funds and schemes**

Submission No. 1

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From: Robert.Neill@familycourt.gov.au
Sent: Thursday, 23 November 2000 11:35 AM
To: super.sen@aph.gov.au
Cc: cpsu@cpsu.org
Subject: Benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes, a brief amended submission (my emailed submission of 22/11/00 did not contain sufficient personal particulars)

The Secretary,
Senate Select Committee on Super et al

My submission relates to the situation of the deferred or preserved benefit of the Commonwealth Superannuation Scheme or (CSS). There some instances which apply for those relatively few members with very long service and modest rank, where the employers' pension benefit available to a member who resigns just before their 55th birthday can exceed the retirement benefit pension applicable if the member had waited till age 55 before retiring. The reason for this is due to the fact that: 1. The retirement pension benefit (a percentage of final salary) is quite severely discounted back progressively below age 60 in the CSS when compared with the Public Sector Scheme pension benefits for example, and most importantly, 2. The deferred benefit pension is based on a factor related to the accumulated earnings of members' basic 5% annual contributions (and not final salary), which, in recent times, has been boosted by good earnings during the last 5 years (although between 1976 and 1984 earnings of the fund were less than inflation during that period).

It was as a result of the situation as described above, that in 1990, when the CSS scheme was closed to new members, and again in 1996, when CSS members had the choice to transfer to the new Public Sector Scheme (or PSS), that I elected to remain in the CSS scheme, knowing that I wanted to retire early, and anticipating that the deferred benefit pension would be sufficient for me to retire on but knowing also that the retirement pension of the CSS at age 55 would not be as sufficient.

If as a result of this inquiry, the Government were to legislate changes in relation to the preserved benefit of the CSS scheme, then I could anticipate significant financial disadvantage to myself and others like me who made an informed choice to remain in the CSS scheme. I ask that this be given full consideration if changes to the CSS scheme benefits are contemplated or recommended by the Committee.

In any event it would be a matter of grave injustice if any reduction in any benefit were to occur to existing members of any of the Commonwealth's various superannuation schemes. The sometimes perceived generosity of these schemes needs to be offset by the reality that as unfunded schemes, the CPI indexed pension benefits are fully taxed as income, that the recipients are rarely eligible for the age pension which are indexed to AWOTE (more generous) and not CPI, and they represent a positive offset for the very modest salaries paid.

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