

# **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. 2**

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21ST November, 2000

Dear Sir / Madam,

I would like to make a few comments on the benefit design of the Commonwealth public sector and defence force unfunded superannuation funds and schemes.

• Public or taxpayer awareness

The first area I would like to comment on is the concept of public or taxpayer awareness. I believe there should be more openness including a clear acknowledgement that to provide the future benefits there is a liability to the Commonwealth and ultimately the taxpayers.

This is very rarely stated openly and I believe it should be part of the official foot debt. So when the joint spokespeople mention a debt of \$80 - 90 billion they really should be talking of a debt of \$110 - \$120 billion (if for example unfunded liabilities are \$30 billion).

I say this as, even though some accounting conventions say that the unfunded liabilities are

Not quite the same as ordinary debt, to the taxpayer they are one and the same. Also at the end of the day it is the Commonwealth put or ultimately the taxpayer who has to pick up the tab.

So lets be open and show them as part of the official debt

Incidentally in this case I do see the unfunded liability a different to normal work entitlement like long service, recreation and other leave provisions attached to a job or salary position.

Benefit itself should be consistent

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I believe the benefit should be consistent with similar industry scheme and if govt plans were to restrict ordinary employees to paying a 9% of salary limit for superannuation guarantee scheme. Then the govt scheme should be the same and limited to a 9% salary subsidy with any additions made by the member themselves by way of extra member contributions.

Cash in date commensality

The date on which member can take their benefit should be common.

i.e. if it is to be age 55 for one it should be age 55 for all.

In other words the early availability of benefit from some scheme (Members of the Reps and Senate for instance) should be withdrawn.

It is patently unfair that one class of members is able to access benefits ahead of others and the recent case of a Senator in his 30's being able to access superannuation benefits was greatly resented by other taxpayers and voters who had to wait until age 55 for the same access to their benefits.

#### Funding the benefits

I believe the system of unfunded benefits is no longer viable and should be replaced by ~~the~~ fully funded schemes.

In the past assumptions may have been that future generations of ~~taxpayers~~ <sup>public servants</sup> could pay for the benefits. But as the Commonwealth payroll is downsized and as various functions are outsourced or privatised this assumption may no longer be valid.

As a result the liability may have to be met by the general taxpayer, i.e. you and me.

I for one do not find this proposal very appealing and would prefer instead that steps be taken to start funding the benefits on a 100% basis for both current and future liabilities.

This may require some sort of 'sinking fund' to be established to cover past liabilities due but future liabilities should be on a fully funded pay as you go basis of mutual obligation between the members and the fund.

This pay as you go is similar to the ideals of the new tax system and is opposite to the present 'pay after you've gone' system we have.

## Summary

So in summary

- Better public or taxpayer awareness
- Consistent benefits
- Common cash L-dates
- Fully funding the benefits

Yours faithfully  
M J Smith