

**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. 9**

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8 January 2001

Senator John Watson  
St John's Street  
Launceston 7250

Dear John

I retired from the Department of Agriculture in 1987 after 31 years of service. During this time I was required to contribute to the Retirement Benefits Fund (RBF), which I did as I believed that it was in the future best interests of my wife and myself. The use of the word "Benefits" is now somewhat questionable, in view of the method being employed by the RBF to calculate pension payments.

I wish to draw your attention to a situation that is currently penalising about 7,000 retired State Public Servants. The attached sheet headed, "TOTAL PENSION RECEIVED OVER A TEN YEAR PERIOD", demonstrates very clearly how those concerned are being penalised through the use of the CPI method of calculating pension payments, when compared to the AWOTE method. This table shows that at the end of the 10 year period, the person with pension indexed to the CPI has received 6.8% less total dollars over that period, when compared to someone whose pension is indexed to AWOTE. The current annual difference between the 2 methods of calculating pension payments is \$2,206.00. This to say the least, is a considerable annual penalty.

I have attached for your information 3 pages of detailed calculations, that clearly demonstrate the situation that applies to about 7,000 retirees.

I am sure that you will be aware of the following:-

- **All Social Security and Veterans' payments, including age pensions -**
- **Some Parliamentary Pensions -**
- **get increases in line with AWOTE.**

I am the Vice President of the Tasmanian Association of State Superannuants (TASS). One of the aims of this Association is, to bring to the attention of people like yourself irregularities of the kind outlined above. If you would like to obtain more information about this matter, or you are able to suggest a course of action that would result in the calculation of pensions by the RBF being brought into line with reality, please contact me at the above. I look forward to your response, if possible prior to 16 January, the date of the next Executive meeting of TASS.

Yours sincerely



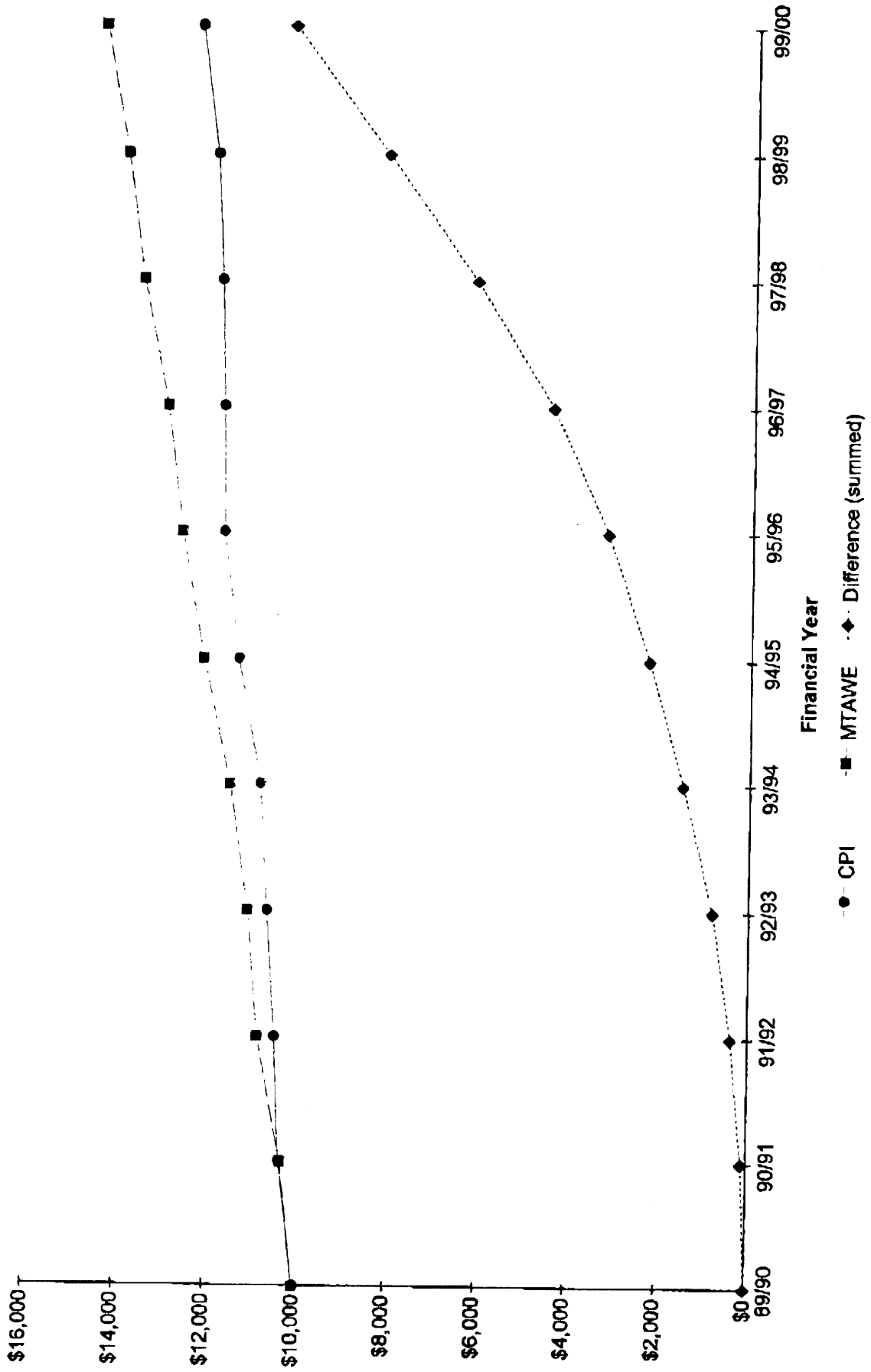
Colin Fleming

- Consumer Price Index (CPI)
- Average Weekly Ordinary Time Earnings (AWOTE)

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# PENSION INDEXING COMPARISON CPI v MTAWE



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**TOTAL PENSION RECEIVED OVER A TEN YEAR PERIOD  
AS FUNCTION OF INDEXING REGIME: CPI increases v AWOTE increases**

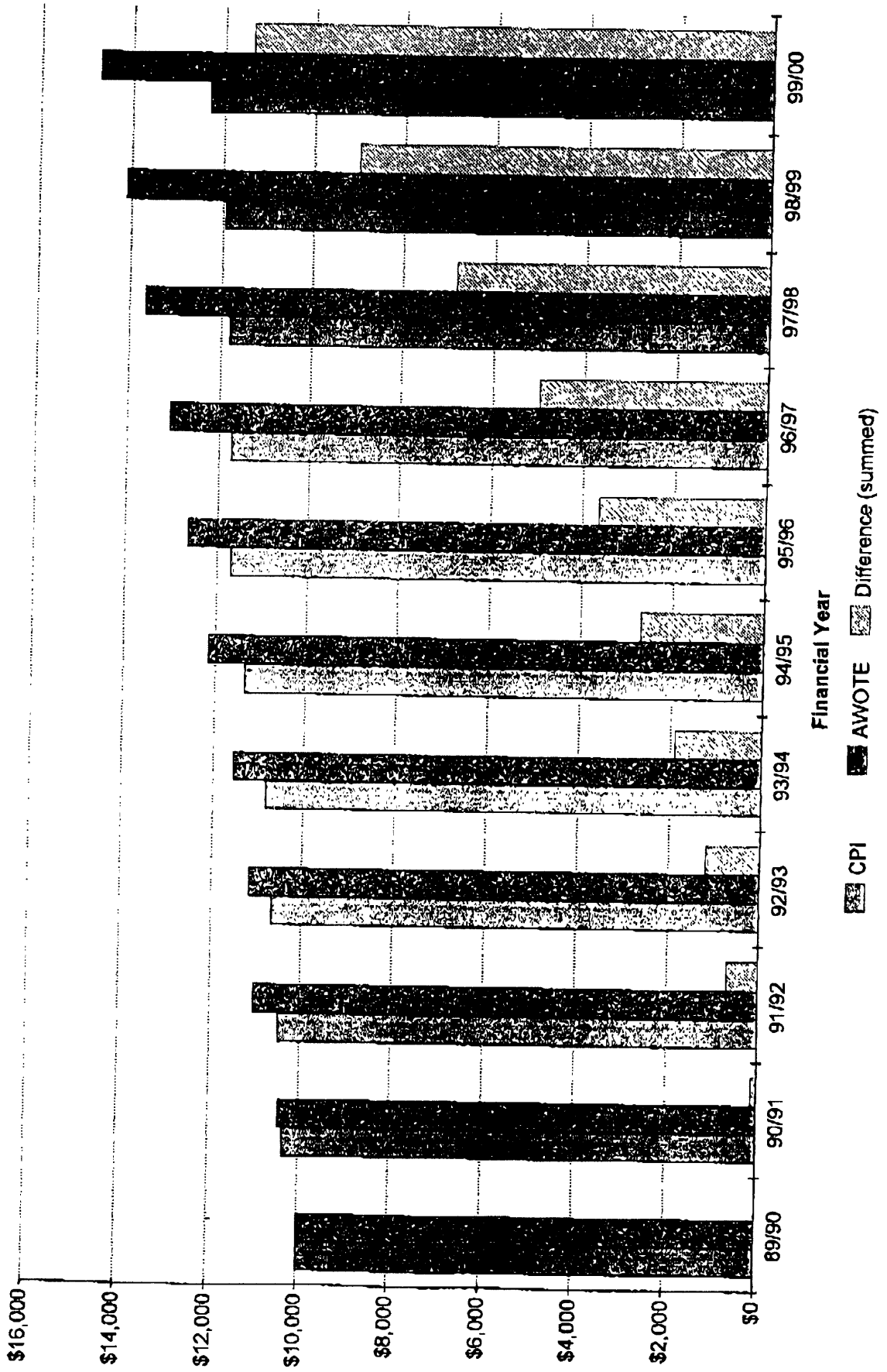
Financial	Year Used in comparison	CPI for quarter ending (ABS figures)				% CPI increase for year ending 30 Jun	CPI indexed pension	AWOTE each May (ABS)	% AWOTE increase for year ending May	AWOTE indexed pension
		30 Sep	31 Dec	31 Mar	30 Jun					
85/86		71.3	72.7	74.4	75.6		\$432.60			
86/87		77.6	79.8	81.4	82.6	9.3	\$461.30	6.6		
87/88		84.0	85.5	87.0	88.5	7.1	\$491.40	6.5		
88/89	0	90.2	92.0	92.9	95.2	7.6	\$530.40	7.9	\$10,000	
89/90	1	97.4	99.2	100.9	102.5	7.7	\$566.60	6.8	\$10,683	
90/91	2	103.3	106.0	105.8	106.0	3.4	\$592.00	4.5	\$11,161	
91/92	3	106.6	107.6	107.6	107.3	1.2	\$624.80	5.5	\$11,780	
92/93	4	107.4	107.9	108.9	109.3	1.9	\$632.90	1.3	\$11,933	
93/94	5	109.8	110.0	110.4	111.0	1.6	\$654.00	3.3	\$12,330	
94/95	6	111.9	112.8	114.7	116.2	4.7	\$687.80	5.2	\$12,968	
95/96	7	117.6	118.5	119.0	119.8	3.1	\$715.80	4.1	\$13,495	
96/97	8	120.1	120.3	120.5	120.2	0.3	\$740.70	3.5	\$13,965	
97/98	9	119.7	120.0	120.3	121.0	0.7	\$773.20	4.4	\$14,578	
98/99	10	121.3	121.9	121.8	122.3	1.1	\$798.40	3.3	\$15,053	
99/00		123.4	124.1	125.2						

Total pension received over ten year period = **CPI indexing: \$119,286** v **AWOTE indexing: \$127,945**

**Conclusion:** At the end of this ten year period the person with the pension indexed to CPI has received 6.8% less total dollars over that period than someone whose pension is indexed to AWOTE.

Simplifying assumption - pension is adjusted once per year at the beginning of July.

# PENSION INDEXING COMPARISON CPI v AWOTE



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