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

Submittor:

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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.

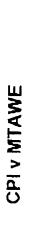
I am the Vice President of the Tasmanian Association of State Superannuants (TASS). One of the aims of this Association is, to bring to the attention of people like yourself irregularities of the kind outlined above. If you would like to obtain more information about this matter, or you are able to suggest 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.

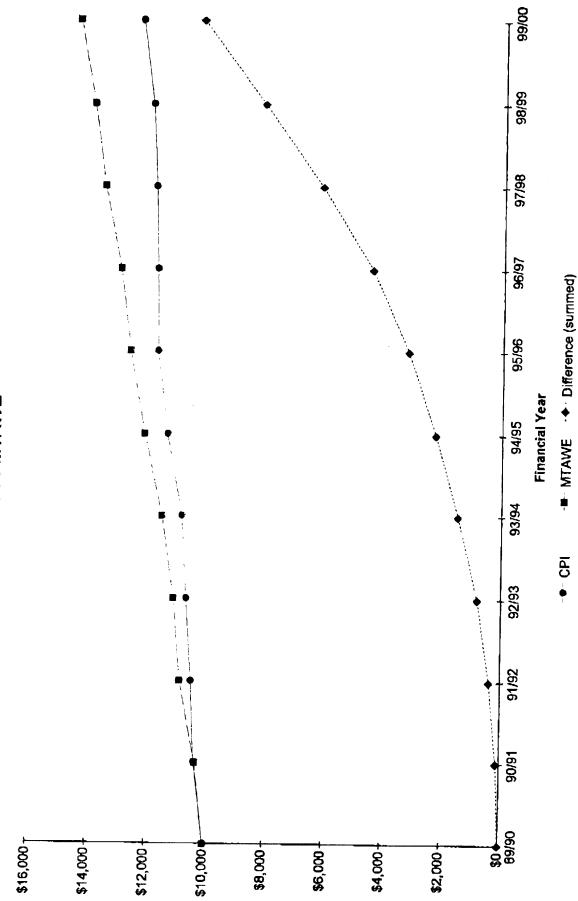
Yours sincerely

Colin Fleming

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

PENSION INDEXING COMPARISON





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

35 figures) % CPI increase CPI AWOTE % AWOTE increase r 30 Jun for year indexed each May for year 75.6 ending 30 Jun \$432.60 ending May 75.6 \$432.60 6.6 82.6 9.3 \$461.30 6.6 88.5 7.1 \$491.40 6.5 95.2 7.7 \$10,000 \$530.40 7.9 102.5 7.7 \$10,000 \$550.40 7.9 106.0 3.4 \$11,134 \$562.00 4.5 107.3 1.2 \$11,271 \$624.80 5.5 109.3 1.9 \$11,481 \$632.90 1.3 111.0 1.6 \$11,481 \$632.90 1.3 116.2 4.7 \$11,600 \$654.00 5.2 116.2 4.7 \$12,506 \$684.00 5.2 120.2 0.3 \$12,604 \$715.80 4.1 120.2 0.3 \$12,504 <t< th=""><th>1</th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th></t<>	1										
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			123.4	124.1	125.2			1017	200.19	5.5	\$15,053

AWOTE indexing: \$127,945 Total pension received over ten year period = | CPI indexing: \$119,288

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.

Conclusion:

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

PENSION INDEXING COMPARISON CPI v AWOTE

