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. 31

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The Secretary
Senate Committee of Inquiry
  into Commonwealth Superannuation Indexation
Parliament House
CANBERRA ACT 2600

I am writing in regard to the current Senate Committee of Inquiry into indexation of various Commonwealth superannuation schemes.

For some time I have made a number of representations to the Government on the need for an improved system of indexing COMSUPER payments to self funded Commonwealth retirees. Specifically I have argued for indexation of such payments to be changed to wages growth figures rather than CPI which is widely regarded as a poor index, except by the Commonwealth. Indeed two years ago, as you will be aware, payments were adjusted downwards to reflect a **decrease** on account of using the CPI index.

Until recently, these representations have fallen on deaf ears mainly on the basis of being in the 'too hard basket', too expensive or that it would put Commonwealth retirees out of step with other Commonwealth beneficiaries. The first two excuses are unacceptable and the last explanation flies directly in the face of the fact that Old Age pensioners and the Commonwealth Parliamentary Superannuation Scheme itself has payments indexed to wages growth - thus providing a much better return for recipients.

Senator Reid took up my most recent representations of June 2000 with the Minister for Finance and Administration who acknowledged that the current system of indexing Commonwealth superannuation payments may be unfair and agreed to consider the options and costs of alternative methods of indexation including the option of six-monthly indexation arrangements. So far I have received no further advice from Senator Reid, though it would appear that the Committee's recommendations may well have a timely bearing on the Minister's consideration of this matter.
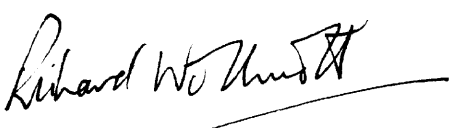
The Commonwealth has a direct and continuing responsibility in ensuring an effective superannuation indexation system in respect of its own former employees. Why it continues to maintain the existing anomaly - and ignore the worsening plight of self funded retirees many of whom have had to use part of their capital to maintain living standards - has never been adequately explained.

To put the matter in perspective, taking 1996 as a base year, COMSUPER payments increased by 1.3% in July 1997, no increase in July 1998 and a 1.1% increase in July

1999 (after adjustment for a decrease) - an overall compounded rate of 1.31% for three years. Fortunately this was followed by a 2.8% rise last July. By contrast, Parliamentary salaries which automatically flow through to Parliamentary pensions were adjusted early last year by 10% to reflect the growth in average weekly earnings over the same period. Basically, Commonwealth retirees have been short changed for a number of years and the situation is getting worse.

All I am arguing for is the **same** treatment for COMSUPER recipients as for other Commonwealth beneficiaries as a matter of fairness and equity. The current inequity has remained for a number of years and it is well and truly time that a fairer and more equitable indexation arrangement along the lines I have suggested be implemented. I urge the Committee to give special consideration to this matter of growing concern to thousands of Commonwealth superannuants in the hope that an improved indexation system may be in operation as quickly as possible.

Though I write as an individual Commonwealth superannuant having no association or affiliation with any organisation or political party, I am sure that the Superannuated Commonwealth Officers' Association (ACT Branch) would have made a detailed submission to the inquiry and I wholeheartedly support their views, with which I am familiar, on this important matter.

Richard Willimott