



RMB 906B Barton Highway
Via Murrumbateman NSW 2582

Wednesday, 17 January 2001

Secretary
Senate Select Committee on Superannuation
and Financial Services
Parliament House
CANBERRA ACT 2600

Dear Secretary,

I would like to recommend the following points be taken into consideration in your review of the effect of CPI indexation of superannuation pensions under item F of your terms of reference. I think it is essential to take into account not only the standard econometric factors which by no means address the full range of issues affecting pensions, but to address some key economic effects which fall outside the scope of the CPI as it is currently structured as well as tapping the more basic motivators of behaviour which include perceptions, attitudes, stereotypes and so on.

An expected retrenchment meant that my expectations of retiring at age 60 or later have had to go under major readjustment. I am far from alone in finding myself in this situation. **A significant proportion of people of my age are in this situation and there are major implications not only for their lifestyle, but for the medium to longer term pressures on social structures and likely calls on community services.**

My life has had to undergo significant cut back in quality due to the timing of my retrenchment. During a period of accelerated retrenchment and accompanying high unemployment I was unable to secure another job other than one short term employment as a census collector. This is not discounting a period towards the end of my employment where I worked for a national lobby group while on leave from the public service. While working in that lobby group I detected the growing ground swell of discontent in rural areas that eventually had to be faced in the form of "One Nation".

Prior to retrenchment my salary as a public servant had already been eroded relative in real purchasing power as a result of a series of central wage decision outcomes and misguided initiatives (performance pay) which made it impossible to contribute to superannuation at a level which would lead to a reasonable level of retirement income. On top of this there was a three year period where I on leave without pay for which I was unable to contribute to superannuation.

The total effect of these events is that my superannuation pension is such that I can just manage at this point in time. I fully expect that my pension will not keep pace with real cost of living, even given indexation to CPI and **I estimate I need at the very least 10% per annum growth in pension over the next five years to compensate for loss of real income already incurred.**

very least 10% per annum growth in pension over the next five years to compensate for loss of real income already incurred.

Even now, I worry how will I manage to keep the basic necessities going for the environment I live in. The questions for me are: when will I become “effectively poor”? and, at which point will the motivation to be responsible for my own economic well being be sufficiently eroded that it would put me into economic “deep freeze”?

Given that my last decade of employment required making sacrifices for the national economy under various wage policies of government. **I have become conscious of the likelihood that further sacrifices will be demanded of me by Government in my retirement. This is how it seems to be for my generation.**

GST, non-voluntary private health insurance, DIY superannuation, digital TV and change of the mobile phone system from analogue to digital are a few of the new things that come quickly to mind and that cost extra at the individual level without any change to my superannuation pension.

My belief is that the group who were retrenched in large numbers from the public sector and private sector in the 1990's **continues to be used by the Government as a target for enforced wealth distribution.** Even companies that do not pay out workers on long service leave benefits when going into receivership are indicators of a free-for-all to get hold of the wealth from the so-called “older” generation. Perhaps the property scam in WA involving politicians is the most blatant example of this new attitude towards the retrenched and retired generation,

I believe the CPI is now largely a defunct measure for measuring the gap of change in the cost of living and other measures of keeping up such as Average Weekly Earnings now better express relativities. Whether this remains so I cannot guess but it does seem to me for each new additional cost burden put on me by government I now have think how can I fund it or whether I can avoid or minimise the imposition. The CPI has been manipulated to such an extent for the purpose of presenting a favourable view of the economy, that it no longer represents a realistic basis for adjusting pensions for real cost of living increases.

On the other hand, the CPI is used to justify increases in rates and all other manner of charges and you hear less of the CPI being used to provide one with the capacity to pay for these increases. We also see much of our savings excluded from cost increases such that the CPI is discounted in investment decisions when it comes to taxing the gains.

It is no wonder that some people including myself have lost confidence in the CPI as a measure of providing equity in retirement.

I am also expected to pay for services I do not receive via local government rates. **There is an increasing tendency to levy additional charges on rates to pay for particular projects or to serve the interests of particular pressure groups. I either do not benefit directly from such charges, or am ineligible for one reason or another. The rates are in actuality a distribution of my income to more wealthy persons in the district such as Dick Smith, Sir Lennox Hewitt and Mr**

Murdoch. These “add-on” increases in local government rates are not taken into account in determining the CPI which is used as the basis for determining increases to my pension, despite the fact that most of my rate notices justify increases against the measure of the CPI.

Perhaps there should be a requirement that when CPI is used as justification for explaining the basis of an increase in charges, it should also mention the effect on those on fixed government based incomes.

For example, I recently received a notice from council to pay \$65 pa as a NSW septic tank levy (a concealed tax). That came about because of pollution of oyster leases in coastal regions. I am being billed in this instance as a “user-pay” cost. However, I fail to see any direct connection between private homes in the Southern Tablelands district, with no possible run-off to water courses (and with no access to town sewerage systems) and oyster leases located in far-away places. **In view of this ever-increasing tendency to tax or charge pensioners, I wonder if user-pay impositions that are generated at any of the levels of government are adequately reflected in pension adjustments such as Commonwealth Superannuation.**

I have also heard rumours that the Government, in particular the Treasurer, was less than opened minded about contemplating the mechanisms of equity distribution with regard to Commonwealth superannuants. I also understand that the **Treasury once considered abandoning CPI indexation of government pensions as a cost savings to government.** As it did not go ahead Perhaps the CPI as it is used for commonwealth superannuants has been emasculated to such an extent that the Treasury objective of savings has already been largely achieved when it comes to government employee pensions.

I would feel more comfortable if Commonwealth Superannuants and Parliament superannuants shared the same pension administration and adjustments processes. Being able to share the pain of change would be much more bearable in such circumstances and be some guarantee against “enthusiastic” policy making of which we see many examples nowadays.

Aside from these practical aspects, the psychological principles of any change to CPI indexation of superannuation payments should be considered. It should not be too much to expect a country that is riding a crest of good fortune and economic growth to build on its social capital.

- We should have a government who is not “mean spirited” and continually looking for ways to penalise those who are least able to adjust to increased costs of living because they are in receipt of superannuation.
- The present generation of retired people should not be treated as a “cash cow” when looking for ways and means to fund existing or new policies and initiatives.
- Care be taken not to impose the values of the computer / dot com generation on the retired generation
- The current level of “income and capital ”of retirees should be built on and not eroded either directly or indirectly by government policy (s).

- Government should give recognition to the effect of GST in devaluing savings of retirees and to fully compensate them regardless of their income threshold.
- The Government should understand that many retrenched and retired persons both in the private and public sector are carrying significant resentment and anger towards what has happened to them and that this resentment is shared amongst families reinforced by the fact brothers and sisters have been retrenched/retired. Note that because of retrenchment in the Public service large numbers have retired on below expected (working to age 60-65) pension levels.
- The Commonwealth government should adopt a responsible social and moral manner towards its retired employees and not mix this responsibility with its with broad economic policies.

Nothing in this submission is confidential. I believe there would be wide recognition and agreement with the above views.

Yours truly

A handwritten signature in black ink, appearing to read 'E A Hingee', followed by a period.

(E. A. Hingee)