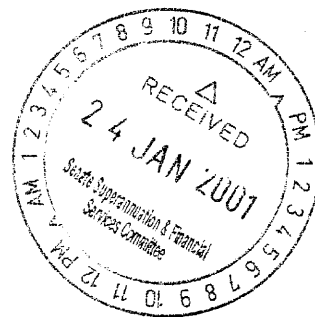


Name and address not to be made public



19 January 2001

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

Dear Sir,

**Commonwealth Public Sector and Defence Force
Superannuation Schemes**

I recently became aware that Federal Government politicians have changed the indexation of their pensions from the CPI index factor to the movement in average weekly earnings so that they will receive substantial annual increases in their pensions as compared to retired Commonwealth public servants who were members of the Commonwealth Superannuation Scheme (the CSS). As you are aware the pensions of retired CSS superannuants are indexed to increases in the CPI which, over the past four years, have been quite less than movements in average weekly earnings.

I have been advised that the difference between the two indexing factors was as follows -

	<u>Indexation Rate of CSS Pensions (per CPI)</u>	<u>Movements in Average Weekly Earnings (AWOTE)</u>
1997	1.3%	3.5%
1998	0% *	4.3%
1999	1.1% *	3.2%
2000	2.8%	4.4%

* The CPI in 1998 was actually -0.2% whereas Macquarie Bank's retirement index was 5%.

The CPI in 1999 was actually 1.3% but the pension rise was discounted by the 0.2 % negative CPI in 1998.

As a current contributor to the Commonwealth Superannuation Scheme and nearing retirement, I submit to the Senate Select Committee enquiring into the method of indexation of pensions used by the Trustees of the CSS that it is totally inappropriate and unfair to use the CPI to annually index superannuants' pensions. It is quite obvious that over a short period of time the purchasing power of CSS pensioners will fall behind that of full time employees and now, retired politicians.

The politicians of course are quite aware of this and in their wisdom and need to preserve the purchasing power of their pensions in retirement have seen fit to further improve their already overgenerous superannuation scheme by changing its indexation from the CPI to the movement in AWOTE.

The CPI is invariably manipulated to keep it as low as possible but it is a poor index for those who are retired. The Committee only needs to look to other retirement indices such as those of ASSIRT and Macquarie Bank, which are invariably higher than the CPI, to realise that the cost of living for retirees is higher than the CPI would indicate.

At the very least, for fairness and equity, the pensions of retired public servants should be indexed in the same manner as those of retired politicians.

I do not wish to have my name and address made public.

Yours faithfully,