

42 Chewings Street
Page
ACT 2614
22 January 2001

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

Dear Senator

I would like to make a submission to the Senate Select Committee on Superannuation and Financial Services.

I am a current Federal Employee contemplating retirement from the Public Service within the next 4 to 5 years.

During my 21 years of Public Service, I have seen successive Governments "improve" or "fine tune" the superannuation system, which in effect has only eroded the benefits payable to retirees.

Retirement pensions are indexed only once a year for changes to the CPI. The CPI has consistently risen by less than the actual living costs of many retirees, primarily because of the different consumption patterns of retirees to those of ordinary families and the artificial spending patterns used to calculate the CPI. A typical retired couple no longer have the housing expenses or the debt servicing charges applicable to the younger family, but tend to spend more on services, health and comfort.

I am also concerned that the federal politicians reserve for their exclusive benefit the more generous indexation arrangements based on growth in salaries – in other words indexation not based on the CPI but on growth in Parliamentary salaries ensuring retired politicians share in the growth of the nation's real living standard in retirement. Politicians are Federal employees the same as public servants and defence personnel and the iniquitous inconsistency in indexing politicians pensions as compared to those of public servants and defence personnel is an area that needs to be examined and changed. Indexing of politicians pensions by the CPI rather than wages would demonstrate to public servants that the politicians are prepared to share the pain of a falling real standard of living in retirement.


I would also like to draw to your attention the disadvantage to former public servants that unfunded preserved employer benefits are indexed annually for changes in the CPI. This arrangement means the former employees do not receive investment earnings on their accumulated unfunded employer benefits. Whereas in the private sector, preserved benefits generally accumulate at funds earning rate, which typically are much higher than the annual growth rate of the CPI. If the private sector can arrange for investment earnings to be applied to preserved benefits, the best performing fund as described in their annual report, should be able to do the same for its members.

I am concerned that the Federal Government's unfunded superannuation liabilities of \$70 billion will result in a failure of the superannuation scheme and that the government should make a determined effort to reduce this liability by both bringing the politicians' superannuation indexation into line with other public servants and making provision to fund their liabilities from sources other than "fine tuning" the superannuation scheme.

Sources of funding the superannuation liabilities could come from the budget surplus or the excise on GST on beer, spirits, tobacco and petrol without further eroding the retirement benefits of fund members.

Superannuation fund members need reassurance that the money will be there as and when needed to fund their retirement. At this stage, there is no such assurance.

I respectfully request that investigation of the points outlined and due consideration be given before recommendations are made.

A handwritten signature in black ink, appearing to read "D. V. Pedersen". The signature is fluid and cursive, with a large loop at the end.

David V Pedersen