

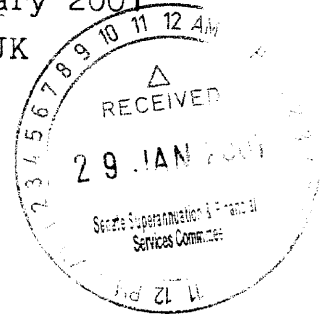
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24 January 2001

Ref: TAJK

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



Dear Sir/Madam

I write to express my dissatisfaction with how the benefit design of the Commonwealth Superannuation Scheme (CSS) has served me during my more than 12 years of retirement to date.

Principally, my concerns are:-

- 1 The Consumer Price Index (CPI) being the sole benchmark for any increases paid annually to CSS pensioners.
- 2 The length of time before any catch-up payments are received. This is particularly irksome during inflationary periods, such as now with the impact of the GST; and especially so as increases, when paid, have no retrospectivity.

During my 43½ years of employment in the PMG Department and Australia Post I never doubted that, with my CSS pension indexed to the CPI, I could look forward to comfortably maintaining my desired living standard in retirement. Older colleagues, already retired, assured me that this would be so and had been their experience.

However, whilst indexation of their CSS pension to the CPI met the retirement income expectations of retirees in earlier times, this certainly is not the case today. It seems that continued tinkering with the index has eroded its capacity to deliver to today's CSS pensioners what was considered reasonable in earlier times.

When comparing the increases in my CSS pension with what is awarded elsewhere by using indices other than the CPI, it becomes clearly evident that the CPI and therefore the CSS pension is not keeping pace with advances in living standards enjoyed by the community at large. Whilst all indices remained on fairly parallel paths until 1990, there has been a steadily continuing divergence since that time with both Male Total Average Weekly Earnings (MTAWE) and Average Weekly Ordinary Time Earnings (AWOTE) far outstripping increases in the CPI.

The table which follows contrasts the value of my CSS pension in retirement, adjusted by CPI, with what I would now receive annually if the indexing mechanism was MTAWE or AWOTE. Given that today's trend was clearly evident and could have been addressed five years ago, I feel deprived not only of this year's shortfall but also the progressively lesser annual amounts, going back some years earlier. As a matter of interest, I have also calculated the percentage increase in Commonwealth Parliamentarians' basic salaries (CPS) during the period of my retirement and added this to the table of indices.

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	Actual CSS Pension at retirement October 1988	Actual CSS Pension Now			
	\$17458.79	\$24746.26*	= + 41.7%*	or +	\$7287.47
CPI		25123.20*	+ 43.9%*	or	\$7664.41
MTAWE would now pay		27584.89	= + 58.0%	or	\$10126.10
AWOTE " " "		29505.35	= + 69.0%	or	\$12046.56
CPS " " "		32857.44	= + 88.2%	or	\$15398.65

* = affected by only 9 months of retirement 1988/89.

In addition to the inequities illustrated above, Commonwealth employees who opted to remain in the CSS and receive a superannuation pension upon retirement, rather than transfer to the new lump-sum scheme some 12 years ago, are nowadays severely financially disadvantaged by Governments saying one thing and then doing another regarding retirement 'Incomes'.

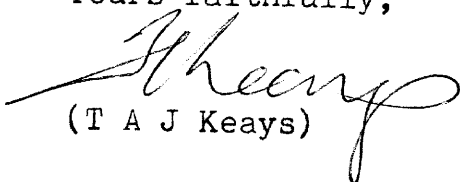
Whilst CSS pension recipients nowadays receive virtually a pittance, which is taxed under the PAYE system, other superannuation "Scheme" participants can, upon retirement, receive up to \$45000 tax-free annually and still qualify for Social Security payments with the attendant benefits. This is despite government rhetoric over the past 20 years and more that future retirees must provide their own retirement income - that the diminishing proportion of taxpayers will be unable to support the growing proportion of retirees. CSS pension recipients are discriminated against in this matter; yet we are the ones who responsibly opted for a retirement income stream rather than an "Asset", believing that the government would be taking steps to progressively effect a reduction rather than proliferation of welfare payments to retirees.

Purely as a matter of equity, I believe that CSS pensions should be increased twice-yearly to reflect upward movements in the CPI with a further annual adjustment, when necessary, to ensure the pensions maintain parity with increases in AWOTE.

Whilst MTAWE is the 'top-up' mechanism for Age and Invalid pension adjustments, it should be recognised that CSS pensioners, as such, are not welfare recipients; nor are we "Fat Cats". We are tax-paying former Federal Government employees, generally of very long standing and were required to contribute financially, at times quite heavily, towards our own retirement income throughout our working lives, long before superannuation became fashionable across the general workforce.

With AWOTE being adopted as the yard-stick for future increases in Federal Parliamentarians basic salaries and consequently also their pensions, I see no valid reason for not applying the same measure to the CSS pensions of the Government's former employees.

Yours faithfully,


(T A J Keays)