

20 Jalanga Place
ARANDA ACT 2614
25 January 2001

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

Dear Sir/Madam

I refer to the inquiry you are to conduct on superannuation funding and schemes. I consider that other former Commonwealth officers and I are disadvantaged by the present arrangements. I long ago recognised that, as a superannuant, I would have to look after myself and not rely on the Old Aged pension with its benefits for those who did not have to put aside a salary sacrifice for retirement.

On 4 April 2000, I wrote to Senator Margaret Reid in connection with similar issues that this inquiry is apparently to address. A copy of that letter is attached. Later I, and other representatives from associations covering retired Commonwealth superannuants, was invited to meet with Senator Reid and Mr Fahey, the Minister for Finance, to discuss our concerns.

I wish to stress the inequities in the various methods used to calculate indexation for those who are on the aged pension, superannuated former public servants and members of the defence forces, and more particularly those in Parliament. The recent allocation to compensate for the GST was one of those inequities.

Many former public servants paid 10% of their salary towards their superannuation, as the Prime Minister is wont to tell us that he is doing. However, parliamentary pensions are indexed to the growth in parliamentary salaries whereas superannuants are linked to the CPI and this figure is changed only once a year. Not only is the CPI changed only once a year, it is based on factors that don't necessarily reflect items on which retirees spend their money. As I commented to Senator Reid, the cost of living is increasing at a greater rate than the CPI reveals.

After I left the Commonwealth Public Service, I returned to the workforce in private enterprise again. While there I put aside funds (more than 10% of salary) for an allocated pension; those funds are indexed at the fund earning rate, a rate higher than the CPI. The Australian Taxation Office (ATO) uses Average Weekly Ordinary Time Earnings (AWOTE) for superannuation tax purposes and particularly for Reasonable Benefit Limits (RBL). Figures consistently show that AWOTE increases much greater than the CPI. Some states also use AWOTE to index their superannuated employee benefits. AWOTE is the measure of the real cost of living.

Whether public servant or politician in the Commonwealth, all should be covered by the same arrangements as all are or were servants of the Commonwealth. This inequity reveals a "bosses and others" or is it a "class distinction" attitude. How can it be remedied? One way would be for all Commonwealth pensions for parliamentarians, defence personnel and public servants, to be indexed by the same method, whether it is CPI, AWOTE or some other index. No matter what method is used, it would be more equitable for all areas covering superannuation, including the ATO, to use it.

Yours faithfully



Colin Fuller

