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23 January 2001

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



**The benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes**

I would be grateful if the Senate Select Committee on Superannuation and Financial Services would take the following comments into consideration in the context of its inquiry into the benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes.

In 1996 I retired from the Commonwealth Public Service. My income now is primarily an indexed pension under the Public Service Scheme (PSS). I chose to take all my own contributions as well as the Government's as an *indexed* pension, and am therefore now reliant on the indexation method for maintaining my *real* standard of living at the level that it was at in 1996. For former Commonwealth public servants (except parliamentarians) the CPI determines the indexation.

Most people in the community seem to agree that it is inequitable that members of Parliament, who are also public servants, benefit from the indexation of their pensions according to the growth in parliamentary salaries while other public servants get only the CPI.

*This is a case of the legislators determining their own incomes and denying equal treatment to others.*

Not only do parliamentarians have a much more generous scheme than other public servants in terms of taxpayers' contributions to their superannuation, they have also given themselves an indexation factor that actually allows for them to benefit from rising living standards in the community. Their pensions actually increase in real terms.

In any case the CPI is not an appropriate measure of the effect of inflation on retired public servants.

**In its report, the Committee must explain why parliamentarians are currently regarded as deserving pension indexation adjustments that increase the real value of their pensions while other public servants currently only deserve CPI adjustments which often result in declines in the real value of their pensions.**

Another problem is the delay in making indexation adjustments. Recent remuneration changes for parliamentarians ensured that, in practice, parliamentarians received almost immediate gross income adjustment for the effects of the GST. Retired public servants, on the other hand, have to wait until July 2001 for such an adjustment.

**When the CPI or a more appropriate cost of living indicator has risen by more than two (2) per cent since the last adjustment, there should be an immediate interim adjustment to the pensions of retired Commonwealth public servants.**

If the cost of the different indexation methods is an important factor, then one way or another changes should be made to provide equity in the indexation of pensions for parliamentarians and other public servants.

Yours sincerely

A handwritten signature in black ink that reads "Ian Cook". The signature is written in a cursive, slightly slanted style.

Ian Cook