



29 January 2001

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

Dear Secretary

Submission to inquire into the benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes

The Combined Pensioners and Superannuants Association of NSW (CPSA) Inc and the Australian Pensioners' and Superannuants' Federation of Australia (AP&SF) welcomes the opportunity to provide brief comments on your current inquiry.

Retirees major concerns that are addressed by your inquiry is the declining value of their payments, which comes under the terms of reference (f).

1. Unfair and discriminatory indexation arrangements

Unlike pensions, Commonwealth public sector superannuation is only indexed to the Consumer Price Index (CPI) as opposed to the age pension which are linked to movements in both the CPI and Male Total Average Weekly Earnings (MTAWE). Whilst pensions are indexed twice a year (in March and September), Commonwealth superannuation payments are indexed only once a year, in March.

In some years, superannuants receive little or no increase in their payments, as a result of low inflation. In 1998 the when the CPI was officially recorded in the negative, superannuants received no increase at all. While under legislation, pensions cannot be reduced; they can be discounted by a similar amount of inflation in the following year. This is unfair and discriminatory, as we note here that there are no provisions for the discounting of age pensions when the level of inflation is negative.

A further anomaly, which the committee needs to address, is that for Commonwealth Sector Superannuants, only the standard pension is subject to inflation, with any additional pension purchased with the members own funds not indexed to inflation.

One of the major inconsistencies here is the treatment of retired public servants compares with others in the community. Politicians' superannuation is linked to increases in both CPI and living standards.

Another area of unfair treatment is that parliamentary superannuation pensions are adjusted by a wages mechanism. Importantly, this means that increases in current members' salaries automatically flow to retired parliamentarians.

Politicians superannuation is adjusted under a formula where increases in the wages component are incorporated in base pension. Parliamentary pensions are also based on a proportion of the salary of serving politicians and the minimum superannuation pension is 50 per cent of a backbenchers salary for a person who has been in Parliament for at least 8 years. Changes arising from *the Workplace Relations Act (1996)* and the *Employment (Consequential and Transitional Provisions) Amendment Act 1999* resulted in the acceptance of recommendations that future increases in politicians salaries (which would boost politicians superannuation pensions) be linked to Average Weekly Ordinary Time Earnings (AWOTE).

It is noted here that this wages measurement in the highest available - and that even the age pension has been linked to the lesser level of MTAW.

Not only do politicians enjoy extremely beneficial superannuation arrangements, they are also allowed immediate access to their superannuation - unlike the rest of the Australian community, who must wait till the preservation age (currently 55), unless a case of extreme hardship is proven.

As time goes on retired public servants face a decline in their standard of living. This we believe is discrimination on the basis of age and is, in essence, inequitable treatment for superannuants. Retired Commonwealth employees are being treated like second class citizens.

The decline in the living standards of superannuants and the failure to ensure a mechanism that maintains the relativities of their incomes with those of the rest of the community is of serious concern.

Consider, for instance, that over the last decade, Government age pensions have increased by 24 per cent, average weekly earnings have increased by 47 per cent and male total average weekly earnings have increased by 37 per cent.

The age pension and superannuation

Our submission recognises that in almost all cases retired commonwealth public sector employees receiving pensions are considerably better off than, for example, those who live on the basic level of the age pension, which is around \$200 a week. Many of our members receive a mixture of age and commonwealth superannuation pensions. It is accepted that some of the tax reform changes have meant that many superannuants may now receive a small part pension (plus pensioner concessions), mainly as a result of the loosening of the pension withdrawal rate from 50 to 40 cents in the dollar.

However many superannuants received little in the way of savings bonuses because of the strict eligibility rules, while others gained little relief in terms of tax cuts. Yet these people are still having to contend with the devaluing of their savings and higher price rises that are the result of the Goods and Service Tax.

Recommendation

That the Committee develop a suitable formula to address the concerns raised above over the indexation of superannuation pensions, to ensure that the living standards of retired Commonwealth employees is maintained relative to increases in the living standards of the rest of the community. Other anomalies and injustices in the current indexation arrangements of retired Commonwealth employees should be addressed by the Committee. Discriminatory arrangements for the indexation of superannuation pensions should be removed.

Other comments

Before concluding we wish to draw to the attention of committee members a number of concerns over the process of the current inquiry.

The first of these relates to the extremely poor level of notice of the inquiry's commencement. We understand that notices of the inquiry were only placed in the *Australian* and the *Australian Financial Review*. While this may have alerted industry and service providers to the existence of the inquiry, it is unlikely that older people would have directly heard of the inquiry from these sources. Surely, the Committee could have published notices in more mainstream media, including the daily newspapers across Australia. We recommend that in future greater attention be given to providing adequate notice across Australia on the Committee's terms of reference and how ordinary Australians can provide input.

The second concern relates to what we see are poorly framed terms of reference for the current inquiry. Certainly, the main concerns that retired superannuants raise is over the declining value of superannuation pensions, largely as a result of their indexation only to the Consumer Price Index. This issue has been the subject of large-scale complaints from our members to Governments over many years, but it hardly gets a mention in the terms of reference, in this important issue is relegated to "any other issues related to the scope of this inquiry". We hope that this lack of attention to the concerns of retirees is not an indication that the inquiry as a whole will not place the degree of importance on this issue that is warranted.

The third issue relates to problems that our organisation had in getting the terms of reference from the Internet. It took many tries to access the information, and at times it seemed that the information was simply not available. Finally, we were fortunate enough to get a copy of the terms of reference from another older person's organisation.

The final issue relates to our request to be put onto a mailing or email list from the Secretariat to keep our organisations informed on the work of the Committee. We have been informed that this was not possible. Our previous experience with your committee a number of years ago was that the Committee wrote to our organisations with the terms of reference, asking for comment and submissions from our organisations. We request that this procedure be re-instated. It is not acceptable to spend taxpayer funds on inquiries when it seems that all efforts are being put into ensuring that there is as little public comment as possible.

It is unfortunate that we had to spend so much time detailing the above concerns, but we do hope that your committee will take the issues we have raised seriously.

We hope that these comments have been of some assistance to the inquiry. Please do not hesitate to contact us further if you require further information or would like our organisations to provide verbal evidence at public hearings of the inquiry.

Yours sincerely

pp. *B Jullon*

Bill Whyllie
Acting State Secretary
CPSA

and



Norah McGuire
Vice President
AP&SF