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Senator John Watson
Chairman
Senate Select Committee on
Superannuation and Finance Services
Parliament House
Canberra
ACT 2000

Indexation of Parliamentary Pension and DFRDB Schemes

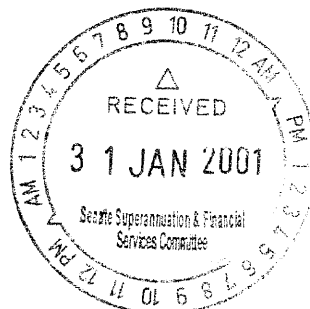
My wife and I wish to advocate that your committee should consider and recommend that indexation of unfunded superannuation pension payments to eligible parliamentarians, armed service personnel and public servants be standardised.

There are inequities in the present multiplicities of indexing calculations employed for the pensions of the different groups. The CPI index base has become outdated and unrepresentative.

Just as the committee member's personal focus is on the parliamentary pension scheme, our focus is on the DFRDB scheme and the present link to CPI indexation.

Subjective as it may be, our perception is of being "left behind" under CPI indexation. CPI, as it is currently measured, is clearly not reflecting the realities of cost of living in contemporary Australian society. Increasing private adoption of the AWOTE indexation, and its application to parliamentary pensions confirms this.

Personal experience emphasises the erosion of the buying power of our 1981 based DFRDB pension vis-a-vis real cost of living and especially its relativity to current wages and salaries. [A nostalgic note: around 1970 the salary of a Senator or MP was the same as that of a Major or equivalent rank!]



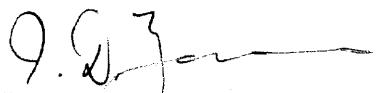
As DFRDB pensioners with home ownership and minimal savings, plus a modest rental income, subject to provisional tax, we are considered self-sufficient. For how much longer?

We have none of the benefits of the old age pensioner with medical, transport and other discount benefits and a better index base. I have no veteran's gold card or similar. We received no form of tax rebate or other reward in the so called GST compensation bonus. That generous advantages are available to otherwise well-off citizens who can tailor their affairs to claim Commonwealth pensions and benefits, is sadly all too obvious in our community.

If the DFRDB scheme remains tied to the present CPI it is only a matter of time before we will be reduced to seeking some form of supplementary pension. Surely we will not be the only family so affected?

If the AWOTE indexation is found to be viable for any Commonwealth pension scheme, the system must be applied to all eligible pensioners; parliamentary, public servant or servicepeople. To apply AWOTE solely to the parliamentary sector must be seen as transparently inequitable and politically insensitive. To use the smaller numbers involved in the parliamentary scheme to excuse an exclusive index for them would exacerbate public distaste. Fairer to revert to a reconfigured CPI for all.

We wish the committee well in its deliberations. We trust that its recommendation will reflect the paramount principle of indexing all Commonwealth unfunded pension schemes in a prudent, universal and equitable manner.


I.D. Yeaman
[Wg Cdr. Ret.]