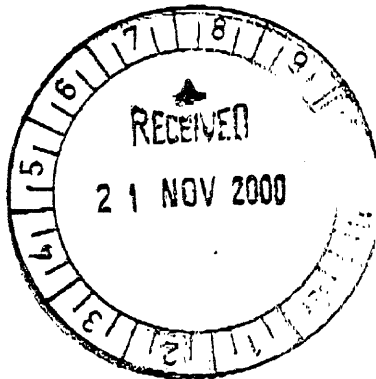


11a Bradfield Street,  
Burnside, SA 5066

17 November 2000

Senator Grant Chapman,  
16 Topham, Mall,  
Adelaide, SA 5000



Dear Grant,

I am writing to you in your capacity as a member of the Senate Select Committee on Superannuation and Financial Services.

As perhaps you know, in consequence of a period of service with the Department of Defence I draw part of my retirement income as a superannuation pension from Comsuper. Pensions paid by this fund are indexed to CPI and in the past this has been of considerable advantage to superannuants, many of whom can now expect to live through long periods of retirement when, without indexation, inflation would otherwise destroy their living standards.

Even with indexation, of course, superannuants are not immune from inflation. Adjustments to pensions are made annually after the event so that in any year the ratio of the superannuam's average purchasing power to that immediately following adjustment is decremented from unity by about half the yearly amount of inflation. By this I mean that if say the annual inflation is 5 percent, averaged over the year following adjustment, the purchasing power of each nominal \$100 of pension is in fact \$97.50. Thus, like nearly everyone else, superannuants have a strong interest in the government maintaining low inflation, something for which in recent times they can thank the Howard Government, the recent GST inspired step notwithstanding.

However, there is more to the story. While CPI measures inflation, it does not measure comparative living standards, for which AWOTE is a better index. AWOTE, of course, differs from CPI in that it also includes the share taken by the community of increasing prosperity. Pensions indexed to CPI will therefore not preserve comparison with salaries currently being paid to the part of the workforce from which the superannuant retired. I believe that there is a strong comparative justice argument for revisitation of this matter with AWOTE to be used to provide the index.

I am sure that you will have no difficulty in seeing this argument. Generally Social Security pensions have moved to reflect AWOTE and the consequence of not doing this for another group of pensioners will mean that some at least will eventually drop through the self funded net and become a direct charge on Social Security benefits. Certainly it is an argument the validity of which is fully recognised in the Parliamentary pensions scheme where AWOTE is used to maintain peer group parity over time. What I am therefore suggesting is no more than that you apply the same principle that you already apply to yourself to a group whose claims are not without equally cogent justification.

I shall await your response and more particularly any positive outcome from any action that you take in pursuit of the matter.

Yours sincerely,

  
(Professor) Harry E. Green

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