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

Dear Sue

INQUIRY INTO THE BENEFIT DESIGN OF PUBLIC SECTOR UNFUNDED SUPERANNUATION SCHEMES

I am attaching the final report from *Managing for Productivity* (MFP) who were commissioned by the Superannuated Commonwealth Officers Association (SCOA) last year to undertake detailed case studies of the impact of Government policies on the life styles in retirement of former Commonwealth public servants.

A major focus of this study was to examine the impact of the current method of indexation used to adjust Commonwealth superannuation pensions to maintain their real value in retirement. It built on the outcomes of a national survey of all SCOA members that was conducted by the Association in November 1999 and which had identified the declining real value of Commonwealth superannuation pensions as an issue of overwhelming concern to our members.

The findings of the MFP report show that the current indexation system is having a negative impact on the lifestyles in retirement of Commonwealth superannuants. Under current indexation arrangements, Commonwealth superannuation pensions are failing to keep pace with increases in the cost of living and increases in wages. Their standards of living in retirement are falling. Increasingly they are being forced to draw down on savings and investments to support themselves in retirement or to supplement their superannuation pensions by social security benefits.

I hope that that the Committee can take these findings into account in the preparation of its final report.

Yours sincerely

Helen Allnutt

Helen Allnutt
National Secretary
21 March 2001

'The impact of the current method of indexation on the lifestyles of the recipients of Comsuper superannuation'.

FINAL REPORT

2Oth March 2001

This Report has been prepared on behalf of the Superannuated Commonwealth Officers' Association by:
Managing for Productivity.

EXECUTIVE SUMMARY

Objectives

- **To determine the impact of the current method of indexation on the lifestyles of the recipients of Comsuper superannuation.**
- **To determine the impact of the GST on the same group.**

Results

The "Key Results" for the sample are as follows:

1. What are the actual living standards for Comsuper recipients now, in comparison to when they first retired?

   Comsuper has an average shortfall of 18% or $5,186 per annum ($199.46 per fortnight) in it's ability to fund expenditure.

2. What effect has the linking of Comsuper recipient's Superannuation payments to the Consumer Price Index had on their actual living standards, as opposed to linking the payments to the increase in real wages?

   Comsuper has an average shortfall of 29% or $4,475 per annum ($172 per fortnight) in it's ability to keep pace with equivalent wages.

3. What is the impact of the GST on Comsuper recipient's actual living standards?

   Most Comsuper recipients (51%) did not receive a GST bonus and have borne the full cost of the GST.

Conclusions

Under the current indexation system Comsuper is failing to keep pace with increases in both the cost of living and increases in wages. Retired public servants are therefore faced with four options:

1. Gradually reduce their standard of living; either because they simply do not have the cash to pay for the same things any more or because they need to save for their old age.
2. Use their savings and investments (if they have any) to fund their cost of living. This approach has the inherent risk of living too long and therefore running out of money in old age, when money may be more essential for health care etc.
3. Work to supplement income.
4. Fall back on the "safety net".

On current trends a change in the indexation system to link Comsuper to wages would maintain a more equitable approach. This approach would enable many more Comsuper recipients to maintain their lifestyles in retirement and would reduce the burden on the public purse.

'The impact of the current method of indexation on the lifestyles of the recipients of Comsuper superannuation'.

The Superannuated Commonwealth Officers' Association engaged *Managing for Productivity* to survey a representative sample of it's members, to obtain data on the impact of Government policies on their economic circumstances and lifestyles in retirement; and in particular, the financial effects of current indexation practices and the GST.

The project was commenced in early December 2000 and completed in March 2001.

This Final Report is based on case studies of a representative sample of 100 Comsuper recipients, and the researchers would like to express their sincere thanks and appreciation for the time and energy devoted by those 100 respondents in assisting with this research.

Methodology

- 2,000 mailout questionnaires were posted to a randomly selected, representative sample in each state and territory, to establish a pool of respondents for the 100 case studies. Over 1,000 replies (>50%) were received ; with over 870 nominating themselves for selection as potential case studies.
- Focus groups were conducted in the ACT, Queensland and NSW with Comsuper recipients to develop a suitable questionnaire for telephone interviews.
- A set of six representative profiles were established (in terms of Comsuper income level; sex; age; and contributor/widow(er) categories) from information provided in a previous survey (SCOA 1999) and from Comsuper data. [See Appendix C for matching of these profiles against the 100 case study respondents.]
- 10 Comsuper recipients were chosen from the focus group participants and the 870 respondents to the mailout, to form a representative sample of the profiles.
- Using the questionnaire, structured telephone interviews were conducted in January 2001, to produce the 10 pilot case studies.
- The questionnaire was developed further as a result of the pilot case studies to capture more data that related to respondent's living standards. The final questionnaire asked 51 questions.
- The researchers posted out questionnaires to 150 potential respondents, to give all respondents the opportunity to find information from their files in preparation for the telephone interviews.
- A preliminary report was provided to SCOA on the 24th January 2001.
- An oral presentation of initial findings was presented to the Senate Committee on 14th February 2001.
- A brief report was provided to the SCOA Council meeting 13th March 2001.

- The researchers needed to contact approximately 150 of the Comsuper recipients who had said they would participate in case study interviews. This was because approximately 40 were unable to complete the questionnaire or the interview (due to hearing or health problems, or because they were uncontactable). In fact, over 110 case studies were conducted via telephone; and 100 of these were chosen to provide the set that was most representative of the Comsuper recipient population.
- The remainder of the structured interviews were conducted in February and March 2001; on average, each interview took approximately 35 minutes to complete.
- All data was entered into a database and pseudonyms were given to each respondent to ensure confidentiality.
- The database was expanded to capture all relevant data.
- Findings were established from aggregated and cross tabulated data from the database.

RESULTS

The survey found answers to the three "Key Questions" that were posed in the initial brief as follows:

Key Question Number 1

What are the actual living standards for Comsuper recipients now, in comparison to when they first retired?

All respondents were asked *"How are you coping financially now compared* **with** ***when you left the service ?"*** Although 63% of respondents made statements like *"I'm doing OK"* or similar, analysis of expenditures patterns for 14 of the group showed the following:

Key Finding Number 1

Comsuper - average shortfall of 18% or $5,186 per annum in it's ability to fund expenditure.

- 14 of the 100 respondents had kept records of expenditure for both their first year after separation and the year 2000.
- The average expenditure for these 14 in their first year after separation was $16,542, compared with $28,811 now; an increase of 74%.
- The average Comsuper received for these 14 in their first year after separation was $12,724 compared with $20,014 now.; an increase of 59%.
- On average Comsuper was able to fund 77% of these 14 respondent's expenditure in the first year after separation and is now only able to fund 59% of their expenditure; meaning that they need to find $5,186 per annum ($199 per fortnight) from other sources to fund their current expenditure.

Actual living standards now for 100 case studies

- 40% do not include going to the movies, eating out, or other "paid for" entertainment in their regular activities or pastimes.
- 53% are dependent on other forms of government support.
- 64% do not travel or have regular holidays; 11% admitting that they simply cannot afford holidays.
- 16% cannot afford normal home maintenance.
- 9% do not have Private Health Insurance because they cannot afford it.
- 8% have increased their debt since retirement.
- 19% are still working.
- 2% still have their spouse working.
- 39% grow their own vegetables or fruit.
- 6% still rent their homes.
- 33% have net household incomes under 80% of the male average full time wage. In 34% of these cases, there are two or more people living on this income.
- Of those who have a car, 32% have cars more than 10 years old

"I thought Comsuper would be all I needed, and provide an adequate income after years of service."

"I did manage to work for myself for nine years after separation; and was able to contribute a lot to Super over that period. This was a great window of opportunity for us. We couldn't have lived on Comsuper alone."

"We need to be more careful now how we spend."

"I spend more than I earn every year."

Key Question Number 2

What effect has the linking of Comsuper recipient's Superannuation payments to the Consumer Price Index had on their actual living standards, as opposed to linking the payments to the increase in real wages?

All respondents were asked ***"What was your Gross (before tax) annual total salary or package when you separated from the Service?"***. The researchers have established the current Gross annual total salaries for equivalent positions in 66 cases.

NOTE : It is important to note that the researchers have been unable to access current salaries for many of the positions in lower income brackets. In particular, it has not been possible to obtain ANY information from Telstra or Qantas (regarding ex-Telecom or TAA/Australian Airlines employees). It is interesting to note that these are both now corporatised entities.

All respondents were asked ***"What was your Gross (before tax) annual Comsuper superannuation benefit at separation from the service ?"*** and ***"What is your Gross (before tax) annual Comsuper benefit now ?"***. A total of 46 of the 66 respondents were able to provide answers to both questions and therefore the researchers have been able to establish the following from these 46 respondents. [See Table 1 at Appendix B, and Chart 1 (following) for details.]

Key Finding Number 2

Comsuper - average shortfall of 29% or $4,475 per annum ($172 per fortnight) in it's ability to keep pace with equivalent wages.

An analysis of the data provided by the 46 respondents who were able to provide us with full details of the Comsuper and corresponding data provided by various Government Departments relating to current equivalent rates of pay for these positions has shown the following [See Table 1 at Appendix B, and Chart 1 (following) for details.]:

- The average salary on separation was $39,991.20
- The average salary for equivalent positions now is $64,399.70

- An average increase in salaries of $24,409 or 61%
- The average Comsuper received in the first year after separation was $15,604
- The average Comsuper received now is $20,647
- An average increase in Comsuper of $5,043 or 32%
- If the average Comsuper had increased at the same rate as the average salary (i.e. by 61% instead of 32%) average Comsuper benefits would be **$26,571** instead of **$20,647; a difference of $4,475 per annum** (or $172.12 per fortnight).

That is, in every one of the 46 cases, the increase in wages for the equivalent position has exceeded the relative increase in Comsuper income. This effect has created a **gap** - between what they would receive in Comsuper if they were to retire from equivalent positions today, and what they are actually receiving.

> *"I'm probably coping better since separation, but that's because my wife died last year, and so there's one, not two, to keep. I usually end up supporting 4 out of the 5 kids at any one time (two were laid off just before Christmas, for instance).*
> *I have noticed that, relative to actual costs, Comsuper is going down. Originally, Comsuper was deliberately framed to ensure that it set a benchmark for the community, and it did. But the relativity has been lost. I am doing quite well, and I'm certainly not complaining for myself, but I see others hurting (others who worked just as hard as I did, but who weren't as lucky in promotions and so on). It's a matter of justice."*
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> *"I always thought Comsuper would give us more security; I bought extra Units in Comsuper to make sure it would be OK. Now we have no money, and I have to get a part [aged] pension to cope. I'd love to be able to visit my family in Malta, but we can't afford it."*
>
> *"I'm going to have to try to get full-time work; part-time isn't enough. My wife is still working but we need to replace the car, and we're not really coping financially."*
>
> *"We're going backwards!"*
>
> *"Things came easier in 1977! What will help us a little is changes to the part [aged] pension, which means we will get discounts on electricity, phones, etc."*
>
> *"I spend more than I earn every year. I'm keeping afloat by dipping into my capital."*
>
> *"We thought we could maintain a reasonable standard of living in retirement, but there's a steadily widening gap. Generally, community wealth and prices are measured by the CPI. In the last seven years, I estimate wages have gone up by around 30%, while the CPI has gone up by 15%. Self-funded retirees are treated*

inequitably by the government and by taxation. The policies we helped to develop led to Australia's wealth, but we don't get to share in it equitably."

"There's certainly a reduced capacity for discretionary expenditure (eg replacing whitegoods, or holidays). We're not on the breadline, but we'd like to be able to visit the family interstate."

"I've just got to manage, that's all!"

"Comsuper is a great comfort. The lump sum enables some flexibility in investment, though we have no money left at the end of the fortnight. We lead a much more restricted lifestyle these days. Before I retired, we would be able to buy 2 or 3 books, and go out to a café for coffee and cake. Now we go to the Library, and there are no cafes! My partner [female] is now eligible for an aged pension because we are not considered a couple; though this also means that if anything happens to me, my partner is not eligible for Comsuper as my 'widow'."

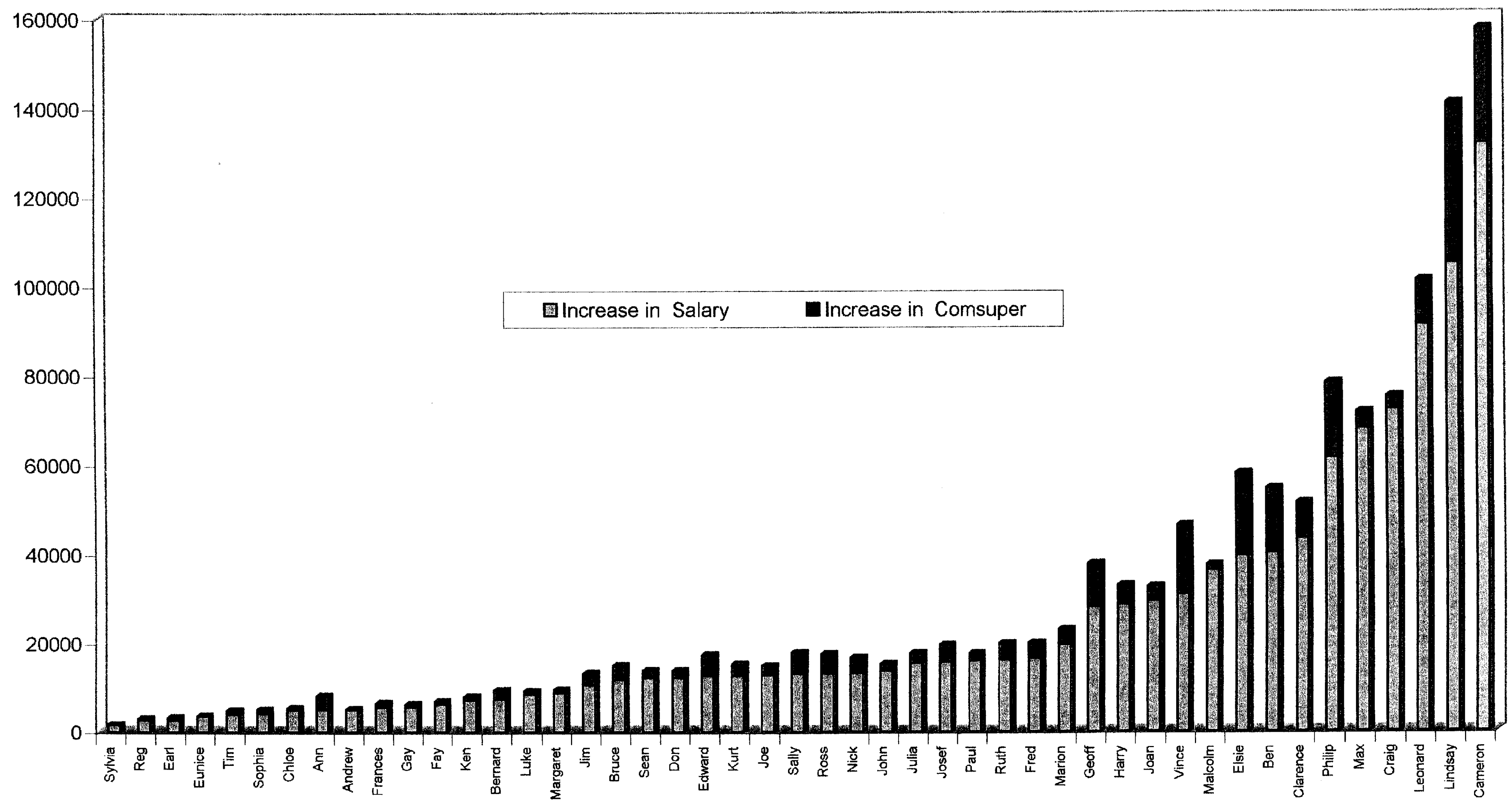
"We're better off really, no more kids to support. I keep a very tight budget, and we have more capital invested than when I was working. We live a simple lifestyle, and are not extravagant."

"When interest rates were falling, housing was included in the CPI; when rising it was excluded.
I traded my 23 year old car on a new one in 1996; when I'm 80 years old, this car will be 23 years old and I intend to replace it with a new one. My father is 90 and he's still driving!! On the previous 23 year experience, the new car will cost $323,000. That means I will need to preserve almost all my savings just to buy a car."

"I can still go fishing in the river, because us old blokes don't need a fishing licence"

" For birthdays, I like to take my family to lunch at Sizzlers, it costs $58 for the five of us, which is a lot"

Chart 1 - Comparative Increases in Wages & Comsuper



Key Question Number 3

What is the impact of the GST on Comsuper recipient's actual living standards?

All respondents were asked "***Have you (as distinct from your spouse/partner) received any bonus from the government relating to the GST? If yes, how much?***"

Key Finding Number 3

Most Comsuper recipients (51%) did not receive a GST bonus and have borne the full cost of the GST.

All respondents were asked "***Have you (as distinct from your spouse or partner) received any bonus from the government relating to the GST ? If yes, How much ?***"

- A total of 51 out of 100 replied *"No"* they did not receive any bonus.
- 7 of these, who are part aged pensioners did not get a GST bonus.
- 35 of the 51 are on fixed incomes and have therefore borne the full cost of the GST and have no opportunity to make up for the extra expense in any way.

Case Studies

1. 'Gary'

When he left the Service in 1988 (as a result of involuntary redundancy), Gary had been with Telecom for 28 years (finishing as a Lineman Grade 2). He says that Super was deducted regularly from his pay all the time he was working, and that he was assured (and expected) that this would mean a pension on retirement giving "a fortnightly income for the rest of my life".

Gary is now 67 years old, and lives with his wife in their own home (a four bedroom hardiplank country house). Gary says the standard of accommodation is comparable to when he was still in the Service. They have three adult children; and their first grandchild is expected in July. Gary didn't really have any concrete plans for retirement before he "got the left-handed golden handshake". These days, he spends his time playing golf and bowls, and watching sport on TV. They grow their own fruit and vegetables. He also drives a bus for people with an intellectual disability five days a week (20 hours). They have been able to travel a bit since he separated from the Service – he has been up to Renmark to play golf, and they have "visited the kids" (within the state, in Adelaide and Portland). They haven't been to Perth yet, though they would like to; and they went overseas last year. Gary says neither of them have any major health concerns. He does not have a Senior's Health Care Card; they have had private health insurance since 1970 ("it's more convenient for hospital care"). Gary drives a 2000 Nissan Pulsar.

On separation, Gary received $3,250.00 gross per annum ($125.00 per fortnight) from Comsuper on separation; he now receives $9,100.00 per annum ($350 per fortnight). He also receives a part aged pension, and an allocated pension (into which he rolled-over half of his lump sum – the other half "went into super"). Gary's total annual household income (net) is $26,000.00 ($1,000.00 per fortnight). Gary did not receive a GST Bonus. He has a professional financial adviser, and says that financially they are coping quite well; he is quite content. His only concern is that if, when he turns 70, he is not able to retain his licence, his part-time work will disappear.

2. 'Ernie'

Ernie worked with Telecom for 17 years; and was a Line Supervisor until he was invalided out, due to a back injury, in 1979. He was upset about this, as he believed he was still perfectly capable of "tackling a desk job", and applied for many positions until he was forced to leave. His expectation of Comsuper was that it would provide "a reasonable pension" in retirement. "Comcare gives at least 70% of salary, so should have been sufficient". He and his wife had planned to travel round Australia.

Ernie is now 72 years old. His wife died suddenly 18 years ago ("She went off to aerobics, and had a cardiac arrest, out of the blue"). He lives in his own home (the same four bedroom, brick-veneer house he was living in before separation); currently he lives on his own, but he is planning to marry again soon, and his new wife will come to live with him. Ernie spends his time playing bowls (using aides, as he has a bad back). He goes to the Club occasionally (for his volunteer work or a meal); and loves to visit his family (two adult children and three grandchildren). Ernie works as a volunteer – he is the Welfare Officer for his local RSL; gets involved in fund-raising (eg for Legacy); and is also an Area Officer for SCOA. He says he doesn't get to travel much ("Not for years, apart from the odd weekend."). Apart from his back, and "having smoked for 45 years too long", Ernie says his health is OK. (Though he gets an Extreme Disability Allowance from Veteran' Affairs, and has a Gold Card, so he doesn't have private health insurance.) He drives a Fairmont Ghia 1988.

Ernie received Comcare Compensation of $6,200.00 per annum ($238.46 per fortnight) on separation; and now receives $16,586 per annum ($637.92 per fortnight). He used his lump sum to help pay off the mortgage on his house. His total annual household income (net) is $27,000.00 ($1,038.46 per fortnight). He knows his expenses will go up when he is married; but says he and his new wife will get a part aged pension. Ernie says when his Comcare benefit was cut from 50% of final salary to 10% he found it a bit difficult financially; until he got the Vet's Affairs benefit, he had to cash some bonds to make ends meet. He says the Vet's Affairs pension is terrific – "It really lets me spoil the grandkids." Ernie has a professional financial adviser, and received a GST Bonus from the Government ($2,859.00). Overall, he says that financially he is not coping as well as at separation; "prices have gone up a lot". He says if he had a little more money, they would probably travel a bit, and spend some on the family. He wants to go to WA to visit his family (and says he has a caravan, which hasn't been used since his wife died, 18 years ago, and which he plans to get checked out).

3. 'Sylvia'

Sylvia worked as an Admin. Officer A4 with Australia Post for nearly 26 years. She retired at age 55, as planned, in 1999. Her expectations of Comsuper were that she would pay off her house mortgage before she retired, and that the Comsuper pension would then provide a secure income, plus cash from the lump sum. She says her expectation was developed from information and documentation from Comsuper. Her plans in retirement were to study; perhaps undertake some part-time work; to travel; and to pursue her hobbies.

Sylvia is now 56 years old. She is divorced from her husband, and has one daughter who still lives with her. Her expectations of retirement have essentially come to fruition, except that she hasn't yet got to travel. She lives in her own home (a 3 bedroom, brick-veneer suburban unit). She says that their standard of accommodation is the same as prior to separation (she has done some renovation on the unit). She currently spends her time reading, walking, cooking, gardening (she grows some of her own fruit and vegetables), and meeting with friends. She is also enrolled in the U3A (University of the Third Age), in a Tax Agent's course. She would like to be able to do some part-time work in the future. She drives a 1981 Mazda 323. She has a hearing loss in one ear, and wears a hearing aid. Sylvia is not yet eligible for a Seniors' Health Care Card, and says that she no longer has private health insurance; she "wasn't very happy with it" - "it's too expensive and you need to treat it like a business (ie 'Is it worth it?')".

Sylvia received a gross Comsuper benefit of $18,711 ($719.65 per fortnight) on separation, and still receives essentially the same amount. Her total annual household income (net) is $16,900.00 ($650 per fortnight). She used the lump sum for the flat for her ex-husband (as part of the property settlement), and took out a $20,000 loan to cover the rest. Sylvia did not receive a GST Bonus. She has some savings, which bring in some extra income; though she has had to draw on the capital on occasion (to pay bills and undertake repairs to the car). "I have to watch my spending these days; it's a big change (a drop of more than half in income)". "I worked all my life and paid lots of tax, but I can't even get a discount for public transport. I have to look for the cheaper prices (even on food), and not spend too much. What I get will be enough for me, because I have modest needs, but it's a bit tight just now with supporting my daughter at university. When I was working, colleagues would spend all they earned, and rely on getting the aged pension, but I didn't want to do that. I worked all my life, and paid taxes, and I wanted to NOT be dependant on the government".

4. 'Joan'

Joan is the widow of a contributor. She married in 1955. Her husband was a World War 1 veteran, who worked as a PMG transport driver for more than 20 years, until his separation from the Service in 1966 (normal aged retirement, under the 1922 Act). Joan says "He would not take a pension", but worked (from age 65 to his death at age 75) as a driver in a furniture removal business – Joan says he found this "hard work".

Joan is now 83 years old. She inherited her current home, having looked after both her mother and father until their deaths. The weatherboard home is 78 years old, and Joan's major concern is that it requires significant maintenance.

Joan is a diabetic. She lost the sight of one eye after her car (a 30 year old Morris 1100) was stolen and burnt out, and consequently had a stroke and shingles which effected her nerves. She had a cataract removed from the other eye last year. She does not have a Seniors' Health Care Card, but has had private health insurance "for a long time"; she is not sure this is worthwhile financially. Joan now has no car and won't drive again. Her 78 year old brother takes Joan and her 53 year old niece (who lives with her and whom she cares for) food shopping regularly. She has no other family or children. Two afternoons a week she loves to go dancing: "I'm not too steady on my legs, but if I've got one hand on a man's shoulder and the other in his hand, I can dance".

Joan and her husband sold the duplex house they had as a rental property - and spent $2,000 on a Morris 11000; while $2,000 was invested in the Board of Works, and another $2,000 went in the bank. She received $272.00 per year ($10 per fortnight) Comsuper income (net) from her widow's benefit in 1976, and now receives $3,469 per annum ($133.42 per fortnight). She also receives an Aged pension ($351.07 per fortnight). Her total annual household income (net) is therefore $12,596.74 ($484.49 per fortnight). She knows that costs have gone up, but she keeps no financial records: "You just have to manage the money as you get it". Joan received a GST Bonus of $1,000 from the government. Joan says that financially she manages "fairly well." She is philosophical about her benefit: "If the Super goes up, the pension goes down". She considers herself very lucky, as she had a "big windfall"; a lady she had helped left her a $50,000 inheritance. She's invested this, and though she hasn't received any interest yet, she is relieved that she may be able to use the interest for house maintenance, as the timber is showing through the paint on her home.

5. "Laurie'

Laurie worked as a Technical Officer with the CSIRO for 26 years, until 1984 when he retired due to some health problems. Laurie had expected that: "Comsuper would give me a better income in retirement than a Social Security pension. I thought I would get a Vets' Affairs pension and Comsuper added together; but they changed the rules in the '60s so that they offset each other." Laurie says that it was "fairly common knowledge" that if you got a government job and contributed to your Super, then you would be better off in retirement. His plans for retirement were that he and his wife wanted to travel. With an assured income, he would help their children work in a rural business, and follow up on his musical interests.

Laurie is now 76 year old. He and his wife live in their own home – a 3 bedroom, brick-veneer house in a country town, and say their standard of accommodation is the same as prior to separation. They drive a 1999 Hyundai. They have four adult children, and six grandchildren.

These days, Laurie spends his time doing volunteer work with his music, going to the theatre, and gardening. Laurie played during the War (WWII) in RAAF bands, and then in the RSL band (for 43 years) and the town band (53 years). He played trumpet, coronet and bugle, until his doctor told him to quit for health reasons. He took up the guitar, and then the violin, which he has played since. He helped establish kids music camps in the bush, and has taught at these ever since. He says "You don't need to talk to these kids; just play". At a recent camp, he was playing with a 9 year old violinist when the conductor asked them to stop and repeat the passage 20 bars back. He was astonished to see that the boy had his fingers in the correct place instantly, while he would have had to look at his music. He took his cue from the boy however; and was touched when the boy shook hands with him on parting, and thanked <u>him</u> for his help!
Holidays are restricted, as they lack financial freedom. He says they try to "do something in the way of travel" on a regular basis, but this is difficult because of his wife's health; and in the last few years they haven't had enough money. He is saving now for a hoped-for trip to Tasmania this year. Laurie reports that neither of them have 'major health problems'; but says that though he doesn't have private health insurance (as he has a Veterans' Affairs Gold Card), his wife needs it! They have had this insurance since 1980, and consider it worthwhile, especially as the recent government rebate helped make it a little more affordable.

Laurie received a gross Comsuper benefit of $10,968.30 per annum ($421.85 per fortnight) on separation; he now receives $21,128.00 per annum ($812.62 per fortnight). He also receives a Veterans' Affairs benefit. Their total annual household income (net) is $20,564 ($790,92 per fortnight). With his lump sum from his Super, they paid off what was remaining on their home mortgage. Laurie has a professional financial adviser, and received a GST Bonus. He says they are coping "reasonably well" financially in retirement, especially now that their kids have left home. He would be glad of a little extra income, as it "would improve the holiday travel situation". The house also requires some maintenance (repair to concrete paths, and installation of low maintenance gardens with an irrigation system). He would also be able to "help the grandchildren" more.

6. 'Tim'

Tim retired in 1996 after 20 years as a Meat Inspector for AQIS. He: "Worked out our finances to be able to retire", and his separation was planned 8 years in advance. Tim was conscripted as a National Serviceman in 1952-57; he undertook CMF training, and is disappointed he did not receive a service medal because he did not go overseas. Tim hoped that in retirement he would be able to go on holidays, play bowls, and maintain the family home.

Tim is currently 66 years old. He lives in his own home, with his wife, and says their standard of accommodation is the same as when he retired. They have two children and four grandchildren. Tim's health has improved since retirement. He has an arthritic condition (ankylosing spondlytis) and gets pain in the chest and ribcage (the result of a fused spine). Tim stood on wet cement all day in the abbatoir. It is difficult for him now to stand for long periods, and he can't bend over to bowl (he gets down on one knee). He now exercises daily: 20 minutes on a rowing machine; 20 minutes on an exercise bike; and he rises at 4 am to walk 5 kms. His muscles have loosened up, and "no more pain killers", he says. Tim does not hold a Seniors' Health Care Card; and though they have had private health insurance since 1990, Tim is not sure this is worth it, financially. After exercise, Tim spends the remainder of his time gardening, doing volunteer work, and at the Bowls Club. He drives a 1996 Toyota Camry.

On separation, Tim received $16,040.59 per year ($616.95 per fortnight); he now receives (gross) $16,887.85 per annum ($649.54 per fortnight). . He rolled-over his lump sum into an allocated pension on separation, from which he now receives $3,978.00 per year ($153 per fortnight), and also receives a "small amount" from an investment. Tim's total annual household income (net) is $25,219.48 ($969.98 per fortnight). Tim received a GST Bonus from the government of $815. His retirement dreams have partly become reality. Their total annual household expenditure has risen from $21,060 ($810 per fortnight) at separation to $24,388 ($938 per fortnight) today. Tim says they: "Cannot afford to go on a decent holiday [i.e. more than a few days at the coast], or to buy a computer, though I would like one. We need the money to live". Tim is worried about expenses coming up, because they have four family birthdays in February; Tim recently took his family to lunch at Sizzlers; this cost $58 for five people, which "is a lot", he says. He says they are coping financially "about the same" as when he retired; but in relation to any expected increases in expenditure, Tim replies: "I hope not!". Despite the better health, he says that financially they are "worse off" in retirement, and that they don't have the same degree of financial independence. They "had expected to be living in comfort, but not now".

7. 'Sally'

Sally is the widow of a contributor. Sally's husband died in 1987, working as a Clerk Class 4 (the modern equivalent is APS 3), after 41 years in the Service. She says they had plans "for the two of us" in retirement – a world tour, visiting "fascinating places like Antarctica". They assumed that Comsuper was the only retirement savings strategy required, and expected that the lifestyle would be "comfortable, without being lavish". Her husband died three weeks after he found he had cancer. The family dog died a week later; and her home suffered storm damage that same week (the only house in Canberra the SES were called to). It was not a good fortnight.

Sally is now 66 years old, and lives in a self-care unit in a retirement village; she says her standard of accommodation is equivalent to when her husband died. She has two children and one grandchild. Sally is a member of the Church – she runs the Seniors' Club as a volunteer, sings in the choir, and makes jams and chutneys for fêtes (though only if she's given fruit); she gives at least $800 a year to charities. She also minds her grandchild one day per week. She "follows the sales" for gifts she can afford. Sally has a Seniors' Health Care Card, and has "always" had private health insurance (though she is not sure this is worthwhile financially). She drives a 1986 Volvo, which they bought "because it was safer".

Sally received $10,424 per year ($401 per fortnight) from Comsuper on her husband's death; and now receives $15,166.71 (gross) per annum ($583.33 per fortnight). This is supplemented by a part Aged pension from the UK. Her total annual household income (net) is $14,908.00 ($573.39 per fortnight). She has noticed a "lack of increase in the Super payments against the rising cost of living". Sally used to work part-time (as a remedial reading teacher), and says that coping financially is harder now that she's not working. She "doesn't even want to think about" upcoming major expenses. She's "never where the money is", she says, but "it's my lot". She says she feels as though there is no 'Thank you' from the government for being a conservative and saving member of society, and is disappointed that self-funded retirees are not eligible for all of the same benefits that Aged pensioners receive. She sees it as a positive that the Federal Government brought in the Seniors' Health Care Card; but a negative that the telephone rental has gone up instead. She is also concerned that after March 2001, no-one will be able to get the British Aged pension if they come to Australia (unlike other countries eg Greece or Guatamala).

8. 'Brett'

Brett was with TAA and then Qantas for 27 years (he was a Senior Flight Analyst on separation), until he retired in 1995. His retirement was unplanned, as his was an "involuntary redundancy". He says that he "couldn't afford" a retirement savings strategy other than Comsuper, though he was aware of the appreciation in house values. He "knew enough about the CSS to know that "it was nearly as good as the Parliamentary scheme" (ie it was linked to salary and was tied to the CPI)." He expected that Comsuper "would pay a good liveable pension; if I went through to full age retirement and had no debt". In retirement he had planned to pursue his hobby (painting and drawing), and to travel.

Brett now lives, with his wife, in their own 3 bedroom, brick suburban home, on a smaller than usual block. He says the standard of accommodation is comparable to what they had prior to his separation from the Service. They have two children, and two grandchildren. He says that his retirement plans have "partly" become reality. They are "not able to spread our wings entirely, because of financial constraints" (he says that he was "tipped out too early" and on a smaller proportion of final salary than he planned). His wife is still working. He spends his time tutoring painting and drawing (which earns some modest income); and he paints and draws himself. He also spends time improving their home. They love to spend time at the beach, and they also like to go out to dinner occasionally. Brett enjoys reading and music; and they try to attend the theatre, ballet, and circus, etc. They grow their own fruit and vegetables, and are keen to expand this. They don't have regular holidays or travel at the moment. When he still worked, it was much more structured and they would travel, on average, once per year (within Australia). They have two cars (as his wife needs one for work): a 1985 Mitsubishi Colt, and a 1984 Mazda 626. Brett says that his wife still has some trouble with her back and feet from when she was a ballet dancer years ago, but that he has no major health concerns. They "gave up" their private health insurance, as they "couldn't afford it", even with the rebate offered by the Government.

Brett received $16,500.00 per annum ($634.62 per fortnight) from Comsuper on retirement; he now receives (gross) $19,300.00 ($742.31 per fortnight). His total annual household income (net) is $25,425.00 ($977.88 per fortnight). He did not take his lump sum, but left it in the fund to provide a non-indexed component to his pension. Brett has a professional financial adviser; he did not receive a GST Bonus. He is currently looking for more work; he would like his wife to be able to quit her work, but they can't afford this at the moment. He says that they are "operating at a much lower level of both income and expenditure/debt" (eg when he was forced to retire, they still had kids and a mortgage). He therefore assesses their financial situation as "about the same overall", though he says that both their cars are old and need replacing – they may have to borrow money for this within a year.

9. 'Ben'

Ben was an Experimental Officer Class 5 with the Department of Defence when he retired in 1984 (aged 60), as a result of high blood pressure due to stress. He had gained the impression from talking to public sector retirees that Comsuper would be "Sufficient to live on". Because he retired earlier than planned, he had no firm plans for his retirement.

Ben is now 76, and lives with his wife in their own home (a two bedroom weatherboard suburban house), and considers their accommodation comparable to when he left the Service. They have four adult children and six grandchildren. They both enjoy travel; they "throw the tent in the boot of car and go off on long trips around Australia". Ben spends his time these days as a volunteer with the senior citizens. He also enjoys gliding. Both Ben and his wife have some health concerns; he has skin cancers, prostate trouble, high blood pressure (though this is controlled by medication), and thrombosis. Both have bad backs (as a result of degenerative disease). They have had private health insurance since 1984, which they consider worthwhile, as they "get prompt service and convenience with hospitalisation". Ben drives a 1992 Holden Commodore.

Ben received $16,298.00 per annum ($626.85 per fortnight) from Comsuper; he now receives a gross benefit of $30,749.00 per annum ($1,182.65 per fortnight). His wife also receives a part aged pension, and she gets some income from investments (Ben's lump sum invested in her name). Their total annual household income (net) is thus $27,500.00 ($1,057.92 per fortnight). Ben did not receive a GST Bonus; though he believes that if he'd been able to "split" his income with his wife, he would have been eligible for one. He is a little concerned that recently they have been gradually whittling away at the capital of their investments; though for the first three years after separation, this was supplemented by income from a part-time job at Uni. Ben says they are coping financially "By the good management of my wife, using our capital, and doing some part-time work". He says that: "Household expenses are costing more than we're getting, so any extra income we got would cover the gap. Now that we're getting too old for tents, we might upgrade to cabins when we travel, and perhaps trade-in the car for a 'new' second-hand car ("Oh, no; we couldn't afford a NEW one!")

10. 'Elsie'

Elsie is the widow of a contributor. Her husband, 'Bill' had been in a Nursing Home when we first contacted Elsie, but sadly had died by the time we spoke to her for this interview. Bill had worked for Comworks for 22 years, until his retirement in 1977 at the age of 63 due to ill-health. He was then a Senior Technical Officer. Elsie worked in the N.T. Admin. (she started work in the ACT in 1939, as a librarian). She and Bill were married in 1958; and she went to the National Library towards the end of the war. Elsie started work again in 1960 (DAA, NT); and worked for 10 years as a librarian. They were in Cyclone Tracy; and rebuilt the house themselves while on 1/2 pay long service leave. Her father firmly believed in Comsuper (he had worked for Hansard), even contributing on her behalf when, as a young woman, she took 1 year's leave without pay to travel to the UK.

Elsie says that opportunities for young women in the 1930s were not so good; there was no entry as a clerk, and she did an extra year of training (typing, etc) to get in. Back then, she was terrified at the thought of University social life; she didn't want to teach, nurse or work in a shop. So she worked in the Department of Interior's accounts section; but then she was concerned that she would be filling a returned service man's job, so she did a BA at night to enable her to work as a librarian.

Bill was a sapper during WW11 – he parachuted into North Africa, Italy, Berlin, Palestine and Oslo (on VE Day). "It all caught up with him" eg arthritis from a badly damaged pelvis. "Bill was told he would be doing very well if he was still working at age 60". He had trouble with his prostate; had a pace-maker; hip replacement; and Parkinson's Disease. He was awarded the B.E.M. after he retired.

Elsie says they had some savings, though not a great deal; it was planned that she would still work after Bill's retirement. Their expectation was that Comsuper would form the basis of their retirement income. Elsie said she had developed this expectation as a result of growing up in Canberra from age six; parents & friends had retired on Comsuper. They bought land on the beach for retirement, and planned to travel to UK & Europe, Canada, NZ, Fiji, and the Far East.

Elsie is now 79 years old, and lives in her own home; a large, 3 bedroom, 2 storey besser-block cyclone-proof house, which she says is "much better than the one we had in Darwin. I'm very happy to have retired to this beautiful position". For the past 18 months, Bill had been in a nearby Nursing Home, very ill and suffering from dementia; much of her time had been taken up with visiting him regularly. Elsie has two sons and one step-son, three grandchildren and three great-grand children. She has spent most of her time caring for Bill, and dealing with a "Whole chain of officials." She likes to walk, read, and watch TV. She does some gardening; they have some fruit trees ("Mainly stone fruit; it's not a good climate"). Elsie is involved with her local Church; and she spends time caring for her family and children. While Bill was still well enough, they did get to do much of the travel they had planned (except to Canada and the USA. Bill went to the UK five times to visit family; she went with him on three occasions. They took out private health insurance in 1992, as Bill needed it, and she considers this to be worthwhile. Bill was receiving Health and Community Care Services before he moved to the Nursing Home, and had a Senior's Health Care Card. Elsie still has her Senior's Health Care Card; though she says "there's nothing much wrong with me except old age". Elsie drives a 1985 Honda Civic.

Bill received $11, 038.00 gross per annum ($424.54 per fortnight) from Comsuper on retirement; and now receives $22, 532.00 per annum, ($866.62 per fortnight). They chose to leave the lump sum in Comsuper, and this forms a non-indexed component of the benefit. Bill also received a wartime disability pension from the UK. Until Bill died, their total annual household income was

$58,700.00 ($2,257.70 per fortnight). They did not have a professional financial adviser; but Bill did receive a GST Bonus of $3,00.00.

Elsie's income will now decrease significantly, however; she will now receive 67% of Bill's Comsuper ($15,096.00 per annum, or $580.63 per fortnight), and Bill's UK pension will stop, so she will be relying solely on Comsuper and the investment income. She is not yet sure what effect all this will have on her ability to cope financially; though she will no longer be paying the Nursing Home fees for Bill. Elsie hopes that there will still be enough for her to do some travelling "while I still can".

LIMITATIONS

The researchers found that almost every respondent avoided discussing anything that showed them to be either financially or physically disadvantaged. Even if they were obviously struggling financially they would say *"I'm doing OK"* or *"others are far worse off than me"* or they would say they had *"no major health concerns"* even when they had recently undergone surgery.

Respondents were also hesitant to discuss their contributions to the community and their families. One respondent whispered on the telephone that they *"give money to our adult children"*. Another respondent was very hesitant to admit that she *"gives the equivalent of my personal expenditure away each year to charity"*.

- The group of 100 people selected for case studies may vary from the total population in some aspects. In particular, the researchers note that it was difficult to access those Comsuper recipients who were either too infirm or not able to cope with *"complicated questions"* or uncontactable by telephone (eg because of hearing loss; or in some cases, no access to a telephone).
- In some cases it was not possible to ascertain the current equivalent salaries for positions that had been held by respondents. Therefore, the researchers have been restricted to a full salary equivalent analysis of 66 respondents. Of these 66 respondents, 20 were unable to provide details of Comsuper benefit in their first year after separation, reducing the comparative study of "Increase in Comsuper versus Increase in Salaries" to a sample of 46 respondents.
- Most people were unable to provide details of expenditure in the first year of separation from the service. Therefore, the researchers have been restricted to a full expenditure comparison analysis of the 14 people who have kept complete records.

CONCLUSIONS

The studies shows that the current method of indexation (CPI) for Comsuper Superannuation is failing to keep pace with both increases in comparable wage levels and increases in cost of living expenses for all 100 recipients surveyed.

Although the 100 recipients interviewed represent such a broad cross section of Comsuper recipients there are 4 main findings as follows:

- In all interviews conducted so far, respondents indicated that Comsuper alone was not sufficient to support their retirement lifestyle.
- In most cases Comsuper is the main source of income.
- Those on higher household incomes also tend to have more assets, and worry that they have more to lose in terms of established lifestyles, which they feel they deserve, because they have worked for it. Consequently, they have developed strategies, which aim to ensure their financial security in the future (even though some of those "saving for their old age" are already in their seventies). These strategies include saving for the future and or doing paid work, or handling investments, such as rental properties or shares. Therefore, many of these people see themselves as "not properly retired".
- On the other hand, those in the lower household income categories, who are not already receiving a part aged pension or similar, are gradually living more frugally (although very few will make this kind of statement about there own situation). If the trend continues many will become more dependent on the public purse e.g. the aged pension and public health services.
    - Under the current indexation arrangements those who have already been caught by the "safety net" will gradually become even more dependent on the public purse.

Therefore, Comsuper recipients are faced with four options:

1. Gradually reduce their standard of living.
2. Either because they simply do not have the cash to pay for the same things any more or because they need to save for their old age.
3. Use their savings and investments (if they have any) to fund their cost of living. This approach has the inherent risk of living too long and therefore running out of money in old age, when money may be more essential for health care etc.
4. Work to supplement income.
5. Fall back on the "safety net".

On current trends, a change in the indexation system to link Comsuper to wages would maintain a more equitable approach. This approach would enable many more Comsuper recipients to maintain their lifestyles in retirement and would reduce the burden on the public purse.

APPENDICES

TABLES

- **Comparisons-equivalent rates of pay versus Comsuper**
- **Profiles**

Table 1 - Comparisons of Increases in Wages & Comsuper

APPENDIX B

EQUIVALENT RATES OF PAY – ON SEPARATION FROM THE SERVICE, & NOW
COMSUPER – ON SEPARATION FROM THE SERVICE, & NOW

Pseudonym	Year Separated	Salary on Separation	Salary Current Equivalent	Increase in Salary	% Increase in Salary	Comsuper on Separation	Comsuper Current	Increase in Comsuper	% Increase in Comsuper
Andrew	1999	$48,000	$53,024	$5,024	10%	$12,000	$12,030	$30	0%
Ann	1995	$45,000	$50,000	$5,000	11%	$15,500	$18,500	$3,000	19%
Ben	1984	$39,413	$79,487	$40,074	102%	$16,298	$30,749	$14,451	89%
Bernard	1996	$54,217	$61,500	$7,283	13%	$24,771	$26,815	$2,044	8%
Bruce	1988	$21,066	$32,828	$11,762	56%	$5,989	$9,095	$3,106	52%
Cameron	1977	$22,456	$154,015	$131,559	586%	$14,792	$40,477	$25,685	174%
Chloe	1977	$33,391	$38,317	$4,926	15%	$7,600	$8,015	$415	5%
Clarence	1985	$26,000	$69,303	$43,303	167%	$9,500	$17,500	$8,000	84%
Craig	1998	$81,856	$154,015	$72,159	88%	$38,000	41,000	$3,000	8%
Don	1991	$34,333	$46,516	$12,183	35%	$19,141	$20,684	$1,543	8%
Earl	1996	$31,712	$34,346	$2,634	8%	$9,000	$9,530	$530	6%
Edward	1986	$20,704	$33,271	$12,567	61%	$9,625	14,271	$4,646	48%
Elsie	1977	$15,004	$54,414	$39,410	263%	$11,038	$29,532	$18,494	168%
Eunice	1998	$49,500	$53,024	$3,524	7%	$9,675	$9,678	$3	0%
Fay	1998	$46,734	$53,024	$6,290	13%	$13,186	$13,705	$519	4%
Frances	1997	$47,591	$53,024	$5,433	11%	$22,265	$23,240	$975	4%
Fred	1992	$45,036	$61,536	$16,500	37%	$20,084	$23,445	$3,361	17%
Gay	1994	$40,000	$45,600	$5,600	14%	$7,713	$8,203	$490	6%
Geoff	1984	$25,240	$53,240	$28,000	111%	$10,197	$19,871	$9,674	95%
Harry	1990	$39,700	$68,250	$28,550	72%	$21,425	$25,696	$4,271	20%
Jim	1993	$40,230	$50,763	$10,533	26%	$17,212	$19,857	$2,645	15%
Joan	1966	$832	$30,188	$29,356	3528%	$260	$3,458	$3,198	1230%

Joe	1966	$115,308	$127,955	$12,647	11%	$35,000	$37,073	$2,073	6%
John	1989	$30,320	$43,992	$13,672	45%	$5,980	$7,410	$1,430	24%
Josef	1993	$48,200	$63,898	$15,698	33%	$23,000	$26,720	$3,720	16%
Julia	1988	$19,000	$34,346	$15,346	81%	$5,012	$7,218	$2,206	44%
Ken	1996	$31,000	$38,072	$7,072	23%	$15,496	$16,236	$740	5%
Kurt	1985	$20,704	$33,271	$12,567	61%	$11,164	$13,756	$2,592	23%
Leonard	1989	$62,831	$154,015	$91,184	145%	$25,097	$34,998	$9,901	39%
Lindsay	1982	$49,100	$154,015	$104,915	214%	$22,777	$58,400	$35,623	156%
Luke	1996	$37,000	$45,450	$8,450	23%	$8,177	$8,760	$583	7%
Malcolm	1995	$42,363	$78,541	$36,178	85%	$16,683	$17,932	$1,249	7%
Margaret	1998	$55,170	$63,898	$8,728	16%	$16,851	$17,513	$662	4%
Marion	1984	$23,257	$42,698	$19,441	84%	$14,489	$17,920	$3,431	24%
Max	1991	$60,000	$127,955	$67,955	113%	$21,034	$24,700	$3,666	17%
Nick	1988	$24,913	$38,072	$13,159	53%	$14,500	$17,967	$3,467	24%
Paul	1962	$33,293	$49,173	$15,880	48%	$16,273	$17,882	$1,609	10%
Philip	1986	$46,441	$107,759	$61,318	132%	$25,603	$42,508	$16,905	66%
Reg	1999	$42,000	$44,558	$2,558	6%	$10,982	$11,289	$307	3%
Ross	1990	$40,000	$53,024	$13,024	33%	$22,000	$26,333	$4,333	20%
Ruth	1994	$47,814	$63,898	$16,084	34%	$16,348	$19,960	$3,612	22%
Sally	1987	$25,360	$38,317	$12,957	51%	$10,424	$15,167	$4,743	46%
Sean	1992	$28,475	$40,616	$12,141	43%	$9,170	$10,765	$1,595	17%
Sophia	1995	$41,000	$45,000	$4,000	10%	$8,000	$9,000	$1,000	13%
Sylvia	1999	$49,980	$51,447	$1,467	3%	$18,600	$18,711	$111	1%
Tim	1996	$34,391	$38,317	$3,926	11%	$16,041	$16,888	$847	5%
Vince	1979	$23,660	$54,414	$30,754	130%	$13,803	$29,291	$15,488	112%
TOTAL		**$1,839,595**	**$2,962,386**	**1,122,791**	**61%**	**$717,775**	**$949,748**	**$231,973**	**32%**
AVERAGE		**39,991**	**64,400**	**$24,409**	**61%**	**$15,604**	**$20,647**	**$5,043**	**32%**

PROFILES -

SCOA1999 SURVEY CROSS-TABULATED RESULTS and CASE-STUDY SAMPLE

INCOME RANGE	n =	AGE				SEX		STATE								STATUS	
		> 55	55-59	60-64	< 65	M	F	ACT	NT	NSW	QLD	SA	VIC	WA	Tas	C*	W*
> $10,000	241	18	38	22	162	101	120	16	0	54	42	43	41	23	0	167	53
%		7.5%	16.0%	9.0%	67.5%	45.7%	54.3%	7.3%	%	24.6%	19.1%	19.6%	19.0%	10.5%	%	75%	24%
#/100	2	2	4	2	14	10	12	2	0	5	4	4	4	3	0	17	5
Case-study Sample	2	2	4	2	14	10	12	2	0	6	2	3	7	2	0	17	5
$10,000-19,999	1,704	108	217	216	1,163	907	689	126	0	429	270	280	312	146	0	1252	341
%		6.3%	12.7%	12.7%	68.3%	56.8%	43.2%	8.0%	%	27.4%	17.3%	17.9%	20.0%	9.3%	%	78.3%	21.7%
#/100	4	3	5	5	30	24	19	3	0	12	7	8	9	4	0	34	9
Case-study Sample	4	3	7	6	27	24	19	5	0	13	6	7	9	3	0	33	9
$20,000-29,999	2,107	57	207	224	1,619	1,717	332	258	0	477	323	292	512	150	0	1,872	172
%		2.7%	9.8%	10.6%	76.8%	83.7%	16.3%	12.8%	%	23.7%	16.0%	14.5%	25.4%	7.5%	%	91%	9%
#/100	3	1	2	3	19	21	4	3	0	6	4	4	6	2	0	23	2
Case-study Sample	3	1	1	2	20	19	5	3	1	6	4	2	5	2	1	23	2
< $30,000	1,112	15	51	92	954	1,018	95	250	0	229	135	105	318	65	0	1065	50
%		1.3%	4.5%	8.2%	85.7%	91.5%	8.5%	22.7%	%	20.8%	12.2%	9.5%	28.8%	5.9%	%	95%	5%
(INCLUDES $50 - 55,000)		0	0	0	1	1	0	0	0	1	0	0	0	0	0	1	0
(INCLUDES <$60,000)		0	0	0	1	1	0	1	0	0	0	0	0	0	0	1	0
#/100	1	0	0	1	9	9	1	2	0	2	1	1	3	1	0	10	0
Case-study Sample	1	1	0	1	7	8	1	3	0	2	1	1	3	1	0	9	0

C* = Contributor; W* = Widow(er)