MEDIA ALERT

COMMITTEE RESPONDS TO CALLS FOR A FAIR GO FOR COMMONWEALTH PUBLIC SECTOR AND DEFENCE FORCE SUPERANNUANTS

RECOMMENDS REVIEW OF INDEXATION METHOD

The Chair of the Senate Select Committee on Superannuation and Financial Services, Senator John Watson (Liberal Party, Tasmania), presented the Committee's report: *A 'Reasonable and Secure' Retirement?*, on the benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes, to the President of the Senate today.

Throughout its life, the Senate Select Committee on Superannuation and Financial Services has strongly supported the provision of superannuation arrangements that provide a secure income stream for retirees. Compared to other Australians, Commonwealth and defence force retirees may seem well provided for. However, during the inquiry, the Committee learned that this group is not as privileged, nor as well cared for, by the benefit design of the Commonwealth schemes as might be assumed.

Senator Watson reported that: 'Almost 22 per cent of Commonwealth superannuants receive an income from Commonwealth superannuation funds which is less than the maximum age pension of $11 000 to $12 000, with 65 per cent of superannuants receiving less than $20 000, and 90 per cent with an income below $30 000 per annum'. He said that the Committee had heard from Commonwealth superannuants that, as self-funded retirees, they do not qualify for cost of living concessions, have limited access to tax concessions, and do not have the option of income splitting as do age pensioner couples.

Senator Watson said that the focal concern which emerged in the inquiry was the use of the Consumer Price Index (CPI) to adjust Commonwealth benefits, while aged benefits are adjusted by a wage-based mechanism. The Committee heard that this has contributed to the progressive erosion of the value of the benefits, and of the pension in particular, leading to hardship and an increasing number of Commonwealth superannuants going on to the part age pension.

On the basis of evidence received, Senator Watson said the Committee saw that the expectations of Commonwealth superannuants for a 'reasonable and secure' retirement income were not being met by the use of the present indexation method. He concluded that: 'Commonwealth superannuants form an anomalous group who fall outside of the safety net provided for age pensioners while sharing their vulnerability'. He also noted that similar concerns applied to members of some State superannuation schemes.

To address these issues Senator Watson said that the Committee has made recommendations to Government to:

- immediately introduce a bi-annual adjustment of the CPI;
- examine the feasibility of adopting an indexation method other than the CPI for Commonwealth public sector and defence force superannuation schemes, to more adequately reflect the actual increases in the cost of living;
- ensure, where appropriate, that changes to the Commonwealth public sector schemes flow through to State public sector schemes.

Senator Watson also said that the inquiry had identified a trend in the benefit design of public sector schemes towards the provision of lump sum only superannuation arrangements. The Committee made a final recommendation in this regard, asking that:

- the Productivity Commission in its review of the *Superannuation Industry (Supervision) ACT 1993* and related superannuation legislation, should be mindful of the Act's intention of ensuring that superannuation continues to fulfil its role as the preferred savings mechanism for retirement.

Contact:

For comment:	Senator John Watson Chair	02 6277 3685 (Canberra) 03 6331 4544 (Launceston, TAS)
For information:	Sue Morton, Secretary	02 6277 3433
Internet access:	http://www.aph.gov.au/ senate/committee	
Email:		super.sen@aph.gov.au

5 April 2001