

**Senate Standing Committee on Environment and Communications**  
**Answers to Senate Estimates Questions on Notice**  
**Supplementary Budget Estimates Hearings October 2016**  
**Communications Portfolio**  
**Australian Postal Corporation**

**Question No: 99**

**Australia Post**

**Hansard Ref: Written, 18/10/2016**

**Topic: AWOTE Superannuation Indexation**

**Senator Urquhart, Anne asked:**

Regarding the decision by Australia Post to remove AWOTE indexation please provide the following information:

- (a) Please outline what assessments did Australia Post undertake to evaluate the impact of this decision on workers?
- (b) How many Australia Post staff are affected by this decision?
- (c) What is the dollar amount of savings attributed to this decision?
- (d) What is the average loss to employees' retirement savings affected by this change?
- (e) What consultation process was entered into with employees and the Union prior to this decision being made?
- (f) Are any executive or management bonuses linked to reducing the liability under Australia Post's superannuation arrangements?

**Answer:**

The removal of the indexation is the subject of Federal Court litigation. As the matter is currently scheduled for a hearing before the Federal Court in March 2017, it is inappropriate to offer further comment at this stage other than the information provided below:

- (a) In 2013, Australia Post was experiencing significant and growing defined benefit superannuation liabilities. Australia Post therefore made a commitment to manage the defined benefit section of the Australia Post Superannuation Scheme (APSS) in a responsible way to ensure the scheme remained sustainable for all members into the future.

One of the concerns identified was that superannuation salary inflation for the APSS was significantly higher than both Enterprise Bargaining Agreement wages increases and inflation. Investigations were undertaken to ascertain the reason for this. Indexing salaries according to AWOTE, in certain circumstances as described below, was a key driver of accelerated superannuation salary inflation. Following review and consideration of a number of options to support the ongoing sustainability of the Scheme for all members, Australia Post decided to implement two changes:

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1. remove the indexation of superannuation salaries that do not grow (which could occur, for example, where an employee changes shift which attracts a lower shift penalty, such as moving from night to day), or grow by less than the *Australia Post Enterprise Agreement* rate, between birthdays; and
  2. reduce the accrual period during periods of leave without pay (LWOP) from 12 months to 28 days (with exceptions provided for both maternity leave (12 months) and sick leave (indefinite).
- (b) The change can affect defined benefit members where a member's superannuation salary for APSS purposes is higher than their annual wage. This could occur where, for example, an employee's shift penalties decrease because of a choice to move from night shift to day shift, taking leave without pay or accepting a lower paid role.
- (c) Australia Post estimates that at the time of the change in FY15, the superannuation expense for that year reduced by approximately \$21 million, with amounts in subsequent years expected to reduce in line with decreasing numbers of affected members and falling membership of the APSS more generally.
- (d) For employees who were receiving indexation, or might be entitled to receive indexation in the future, there has been no decrease to their actual benefit, nor has there been any decrease to any employee's superannuation salary for APSS purposes.

Further, under the current arrangements, superannuation salary does not decrease even if the employee's actual wages decrease for a variety of reasons (for example, being paid lower penalties because of a move from night to day shift, accepting a lower nominal role, ceasing an allowance such as first aid officer). The only difference resulting from the change is that in future, where superannuation salary is higher than actual wages for a particular employee, the benefit will not grow as quickly as when indexation was applied on top of their already higher superannuation salary compared to their actual wage.

- (e) These changes were made after consulting with the Australian Council of Trade Unions (ACTU), the Communications, Electrical and Plumbing Union of Australia (CEPU/CWU) and the Community and Public Sector Union (CPSU). The change was communicated to all APSS members in 2014.
- (f) Executive and management bonuses are determined based on a balanced scorecard. While some managers and executives will have objectives to assist in maintaining the solvency and sustainability of the APSS, it would be one of a number of objectives for the overall scope of their role. Therefore there is no single bonus for any senior employee attributed solely to reducing superannuation liabilities.