

Superannuated Commonwealth Officers' Association
INDEXATION OF COMMONWEALTH SUPERANNUATION PENSIONS
(2 June 2011)

The Issue: Fairness for more than 300,000 Commonwealth superannuant pensioners, (former Federal Government employees and former Defence Force personnel) and their dependents who currently have their pension indexed by the CPI. Their average superannuation pension is less than the combined couple rate of Age Pension. **Many live in marginal seats.**

The CPI was abandoned as a sole pension indexation tool more than a decade ago for other Government funded pensions.

Broken Promise: Prior to the last two elections Kevin Rudd and Julia Gillard promised fairness for all Australians. Despite three Senate Inquiries in the last decade, all recommending fair wage-based pension indexation for Commonwealth superannuant pensioners, the Labor Government has refused to provide the community standard for indexing its former employee's pensions.

The Coalition when in Government refused to adopt the recommendations of those same Senate Inquiries to provide wage-based indexation. They did this when there were significant budget surpluses. The Coalition has more recently introduced a bill in the Senate to improve the pension indexation for some military superannuants but not military, MSBS members. However the bill excludes civilian superannuants. Sixty per cent of Commonwealth superannuants will be excluded from the Coalition's bill including about 8,000 MSBS members; some of these are the young widows and children of our soldiers recently killed in Afghanistan and other deployments.

What is being sought? Commonwealth superannuant pensioners just want their pensions to maintain their purchasing power, as do other Government funded pensions. They are not seeking special or favoured treatment, only **the national standard for indexing pensions.** They just want the same percentage increase as applies to the base rate single person Age Pension.

What's wrong with the CPI? The Australian Bureau of Statistics says that the **"CPI is not a purchasing power or cost of living measure."**

What will Fair Indexation Cost? **This is more appropriately expressed as the value of what has been stolen from former Federal public servants and former members of the Defence Force.** The first year's gross cost is negative. The second year's **gross cost** of \$42m is tiny in budgetary terms - it does compound. SCOA is confident that the \$42m estimate is overstated because of incorrect actuarial assumptions. SCOA's expert actuarial advice is that the Government's cost estimates for fair indexation are significantly exaggerated. The cost could easily be met from the Future Fund without affecting the Government's wish to return the Budget to surplus by 2012/13.

Unfunded liability estimates will increase but these are 45 year cumulative estimates and are not estimated for far larger expenditure items such as the Age Pension, Aged Care, and Medicare etc.

Cost clawback: The Government has acknowledged that 30% of the gross cost will be recovered due to a reduction in Age Pension expenditure and increased income tax collections.

The Future Fund: Created by the Coalition to allegedly fund long term Commonwealth superannuation liabilities held **\$71.76 billion**, (December 2010.) By 2020 it will grow to **\$154.92 billion** based on a growth rate of 8%. The target balance is \$140 billion.