

44 CARR CRESCENT
WANNIASSIA. A.C.T 2903

ORF Finance - Commonwealth
Super Scheme

The Hon. Josh Frydenberg
Treasurer.

The Australian Parliament.

Dear Sir,

14 NOV 2019

10/11/2019

14 NOV 2019

Finance

<input type="checkbox"/> Acknowledge	<input type="checkbox"/> Briefing
<input type="checkbox"/> Substantive Response	<input type="checkbox"/> Speech
<input type="checkbox"/> Appropriate Action	<input checked="" type="checkbox"/> Refer to Finance
<input type="checkbox"/> Information	<input type="checkbox"/> No Further Action
<input type="checkbox"/> Constituent Response	<input type="checkbox"/> URGENT
<input type="checkbox"/> Signatory	

14 NOV 2019

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Finance

Please excuse my awful handwriting - being 85 takes away some of the once useful skills one acquires in earlier years.

I have attached some notes regarding the manner in which the Commonwealth Superannuation Scheme has fallen behind in supporting thousands of retired (and ageing) Public Servants and A.D.F. Personnel.

Being indexed to the CPI, payments are not keeping up with the rising costs of living.

Would you please give consideration to submitting my submission to address this situation to Mr. Michael Callaghan so that the Australian Retirement Income System Review Panel can review, if necessary, the methodology of the existing indexation policy regarding superannuation payments of the C.S.S.

Yours faithfully,

John Seccombe

(JOHN SECCOMBE)

From: Pensions CSS <Pensions@css.gov.au>
Sent: Tuesday, 1 October 2019 10:45 AM
To: jsec@smartchat.net.au
Subject: Re: Retirement Income Review (s32629831e)

Good Morning Mr Seccombe,

Thank you for your detailed email.

By way of background, on the first payday in January and July each year, we adjust your pension in line with the Consumer Price Index (CPI).

The CPI takes into account a range of factors set by the Australian Bureau of Statistics (ABS), including; the price of food, clothing, housing, health and transportation. Once the ABS releases the CPI we can determine whether your pension is due for an increase. If the CPI (and exceeds the previous March or September CPI figure), we increase your payment. If the rate falls or stays the same, your pension will not change.

The CPI figures are provided to Commonwealth Superannuation Corporation (CSC) as raw data by the ABS, which we then calculate and round up or down accordingly.

After receiving these figures, CSC then performs a calculation to determine the actual CPI rate:

$$\begin{array}{rcl} (114.1 - 113.5) \times 100 & = & 0.52863 \\ 113.5 & = & 0.5\% \end{array}$$

CSC rounds to the nearest tenth of one percent.

While we are the administrators of your pension payments, the above calculation and methodologies provided to CSC are non-discretionary. Indexation is a policy matter and you would need to raise your concerns directly with your local member of parliament if you believe alternative methodology should be used to index CSS pensions.

If

we can help further please call us on 1300 001 277 or reply via return email.

Yours

sincerely

EmilyKate

Clements
Customer

Information Representative

On 30/09/2019 4:50:00 PM, jsec@smartchat.net.au wrote:

The Manager, CSS,

Dear Sir,

The Federal Treasurer, Mr Frydenberg, announced on 27 Sept. 2019 a review of Australia's retirement income system. Although, to the best of my ability, I have searched online in an effort to ascertain whether members of the public will be able to forward a submission to the Review Panel, it is not clear whether this will be possible. Therefore, I have written this brief account of my experience with the Pension paid by the Commonwealth Superannuation Scheme.

A great deal has been written recently about how low interest rates have adversely affected pensioners and retirees. Very little discussion however has taken place about another financial plight affecting a large number of retirees and their families.

I refer to the Australian Government 'Commonwealth Superannuation Corporation' superannuation scheme for former Federal public servants and ADF personnel (and their widows, as needs be). This was commonly referred to as 'ComSuper' in earlier years. It has been closed to new members for some time and the number of beneficiaries is dwindling due to 'natural attrition'. I guess the regular fortnightly pension payments to members are probably funded by the Federal "Futures Investment Fund".

At its' inception, ComSuper was touted as a very generous retirement scheme, indeed the actuaries who devised it were said to be 'over generous'. There is however an inherent weakness (failure ?) that was not pointed out to public servants and ADF personnel before retirement.

Pension payments are indexed against the CPI.

My CSC ref. is **32629831 CS. D.O.B. 2 July 1934.** I retired from the Public Service in 1999 at the age of 65. I am now 85 and I have seen the regular fortnightly payments progressively fall behind the relentless increases in the cost of living. I only hold records of my ComSuper pension dating back to 2009 (one tends to regularly discard old Tax Return records) however in the past 10 years my gross ComSuper pension has increased only by **1.66%/year**. The latest increase on 1 July, 2019 is **0.5%**, just enough to buy 1 cup of coffee/week.

If however the ComSuper pension had been indexed against the **Australian Minimum Weekly Wage**, my pension would have increased by **2.66 %/year**, an enormous difference that would have kept my pension abreast with increases in 'costs of living'.

This argument was promoted by retirees in 1999/2000 but was then discounted by the Fed. Govt. as being too expensive. However, due to attrition, the number of recipients of ComSuper pension (including widows) is now far less than in 1999. - far less expensive to administer now in 2019.

I request therefor that you give consideration to forwarding this letter (on my behalf) to the Review Panel Chairman, Mr. Michael Callaghan for the consideration of the Panel in the course of their review.

My best wishes,

Yours faithfully,

John Seccombe

44 Carr Crescent. Wanniasa. ACT 2903



SENATOR THE HON ZED SESELJA
Assistant Minister for Finance, Charities and Electoral Matters

REF: MC19-002519

Mr John Seccombe
44 Carr Crescent
WANNIASSA ACT 2903

Dear Mr Seccombe

Indexation of Commonwealth civilian defined benefit superannuation pensions

This letter is in response to your email of 26 July 2019 to the Prime Minister, the Hon Scott Morrison MP, concerning indexation of Commonwealth civilian defined benefit superannuation pensions. As the issues raised fall within my portfolio responsibilities as Assistant Minister for Finance, Charities and Electoral Matters, your email was referred to me for reply. I apologise for the delay in getting back to you.

While I understand the difficulties that some Commonwealth superannuants experience in living on a fixed income, the Government has no intention to change the indexation of Commonwealth civilian defined benefit pensions as they compare favourably with those available to the general community.

There are many reasons Commonwealth civilian defined benefit schemes compare favourably to those purchased in the private sector. They provide lifetime indexed pensions, whereas pensions purchased in the private sector usually cease once the funds used to purchase the pension are exhausted. On the death of the member, a percentage of the pension is payable to an eligible partner for their lifetime. In addition, unlike superannuation pensions in the private sector, pensions provided by the Commonwealth civilian defined benefit schemes are not dependent on investment returns – they are guaranteed.

Your letter also mentions that Commonwealth civilian defined benefit pensions are indexed in a different way to the Age Pension. The indexation arrangements for the Age Pension reflect that it is a safety net payment available to all Australians (including Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme pensioners) who meet relevant eligibility criteria. The Government considers indexation of Commonwealth civilian defined benefit pensions to the Consumer Price Index balances the financial commitments to pensioners against the Government's broader budgetary commitments.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to read 'Zed Seselja'.

Senator the Hon Zed Seselja
Assistant Minister for Finance, Charities and Electoral Matters

11 / 1 / 2019