

Fair indexation for Commonwealth and Defence Force Superannuation Pensions



In a long-running campaign, current and former federal public servants and defence force personnel have been pushing to ensure their superannuation pensions are indexed fairly and appropriately. It is a campaign the Australian Greens support wholeheartedly.

The superannuation system is designed to take pressure off our social security system and provide employees with an adequate income for a reasonable standard of living once retired. For Commonwealth employees and defence force personnel in superannuation pension schemes, appropriate indexation of their pensions is an important factor in meeting these goals.

Indexation linked to wages not CPI

Currently, public servant superannuation pensions are indexed to CPI rather than a measurement of wages. The Australian Greens agree with organisations such as Superannuated Commonwealth Officers Association (SCOA) and Defence Force Welfare Association that CPI is not the most appropriate means of indexing such pensions and link to a measure of wages is preferred.

In comparison, social security pensions such as the Age Pension and Veterans Pension are linked to the Male Total Average Weekly Earnings (MTAWE). For the Age Pension, the maximum single rate base must not fall below the benchmark of 25 per cent of MTAWE. As MTAWE growth has been higher than CPI in recent years, the pension has been increasing in line with MTAWE. Superannuation pensions for politicians and federal judges are increased in line with movement in with the wages of the respective professions.

A number of Senate inquiries in the last 10 years have recommended changes to the indexation method for Commonwealth and defence superannuation pensions, finding that the CPI does not adequately reflect the actual increases in the cost of living for superannuants.

The Government went to the last election with a promise to address the indexation issue. Instead it commissioned the Matthews Review, and subsequently decided against changing the indexation measure.

Australian Greens leader Bob Brown wrote to Minister Tanner earlier this year to urge him to re-consider the government's response to the Matthews' review and revise the indexation for Defence Force superannuation pensions. We strongly believe that the Government should now act to provide wage-based indexation on the same terms as the Aged Pension for all Commonwealth and defence force superannuation pensions.

The cost for ensuring fair and appropriate wages-linked indexation for Commonwealth public servant superannuation pensions is estimated by the Matthews Review to be around \$42m in 2010/11, increasing in following years. However, the actual overall cost will be lower when the tax implications are taken into account. The Australia Greens believe these costs are outweighed by the longer term benefits and principle of fairness.