PAST OR PRESENT

Soldier, Sailor, Airman

OR

COMMONWEALTH GOVERNMENT EMPLOYEE

CPI AFFECTS - MILITARY COMPENSATION - COMMONWEALTH SUPERANNUATION SCHEMES - DFRDB - MSBS - PSS - CSS

The Government of Australia has reduced the Purchasing Power of Military Compensation and Military Superannuation, to which military members were forced to contributed, and the Superannuation payments to its ex employees by changes to the legislated index used to calculate payments.

How? By ordering the Australian Bureau of Statistics (ABS) to change the method of calculating the Consumer Price Index (CPI) the dramatic effect can be seen on the table on the last page where over 15 years $112,187.00 is lost when compared against the “Old method” of calculation.

Read on and ponder about the Government having Senate control and what it can do to you, your children and grand children if it can treat its own Military Compensation and long Serving Military members in such a manner.

When salary increase bargaining has been undertaken for the Serving Military and Commonwealth Government employees, Governments have argued that the:

> “Generous Superannuation that the people of Australia pay to its ex employees be they Military or Civilian, is the long term offset for pay scales lower than in the private sector.”

In 1998 the Government changed the FORMULA of the index for increases in the cost of living for *Military Compensation, Military Superannuation and Commonwealth Superannuation*.

Much of the unfunded debt that the Commonwealth has incurred is held in its “Unfunded Superannuation Schemes” where the employer, the Commonwealth, has not paid in its employer contribution to the employee’s superannuation fund.

The Commonwealth unlike Private Enterprise Employers has used its ability to reduce its liability by regulation and manipulation of statistics. So successful has the re-indexing of Commonwealth Superannuation and Military Compensation been that it is in the realm of billions of dollars.

Some States of Australia have reduced their unfunded superannuation liabilities to State employees dramatically through stringent fiscal policy. The Commonwealth has chosen to manipulate the Consumer Price Index (CPI) by legislation, regulation and deception to reduce the employer’s moral obligation to its employees, past, present and future. All Governments of Australia, both State and Federal have saved money, by reneging on employee benefits.

On the following pages are laid out a series of facts and statements that are on the public record, you are asked to read, digest and wonder at the Moral standing of the employer in the treatment of those whom the employer has accepted a “Duty of Care” for.

A moral standing that will soon affect all with the proposed introduction of new Industrial Wage Regulations, that will further reduce the CPI by the reduction of income for yet more Australians.

The Commonwealth may have intended to contain costs by adopting the CPI as the method of indexation of the schemes.

Quotes from: THE SELECT COMMITTEE ON SUPERANNUATION AND FINANCIAL SERVICES THURSDAY, 15 FEBRUARY 2001 & The Final Senate Report April 2001. Actual quotes are in italics.

Reference: Benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes

From the Australian Bureau of Statistics (ABS), ABS Quote:

"I do not know how relevant it is, but I did a study for the latest edition of the Australian year book trying to compare how prices and other things have changed since 1901 with those of the current day. Just using movements in the CPI to escalate wages from about the turn of the century, I found that, by using inflation (i.e. the now method of CPI "Adjustment"), ***the equivalent of 1901 wages to today's was about $243 a week compared with today's average weekly earnings of about $870."***

ABS Quote:
The CPI is not a measure of the cost of living. It is a measure of inflation.

Parliamentary pensions up by 50% - Salaries up by 40% - CPI 24%

Who works out the CPI figure?

The Australian Bureau of Statistics is responsible for the production of Australia's consumer price index, which is commonly known as the CPI. The CPI plays a key role in current indexation arrangements for commonwealth public sector and Defence Force unfunded superannuation funds and schemes.

"A brief overview of the CPI. Imagine a basket of goods and services comprising items typically bought by Australian households. That basket is purchased each quarter. As prices change from one quarter to the next, so too will the total price of the basket. The CPI is simply a measure of the changes in the price of this fixed basket, as the prices of items in it change." Since the September quarter 1998, the CPI has been designed specifically to provide a general measure of price inflation for the household sector as a whole. This represented a change from historical practice. Prior to the September quarter 1998, the CPI had been designed to measure the changing living costs of wage and salary earning households as an input into the income adjustment process.

At that time, the population coverage of the CPI was also expanded from only wage and salary earner households to all private households."

The above statement "***At that time, the population coverage of the CPI was also expanded from only wage and salary earner households to all private households."*** is the screw to ever reducing purchasing power for Military Compensation recipients, Ex Service recipients under the Defence Retirement Benefits Scheme (Covering from about 1952 to 1988) referred to as the DFRDB Scheme and Government Employees.

Comsuper now administers the combined Superannuation schemes.

In 1972 a Senate Select Committee rejected the CPI as it did not fairly represent changes in general community standards

Sounds so reasonable, so what change in 1998?

Prior to 1998	1998 onwards
Only Wage and Salary households were in the study	Reduced basket of household expenditure.
All expenditure	Interest on incurred debt.
	All private house holds.

Prior to 1998, only Wage and Salary households were in the CPI Basket, by changing the rules on who is classified as unemployed, pensioners and self funded retirees the Government added a million people to the pot, 1,000,000 "poor" and guess what? The inflation figures become "Adjusted", down. If you do not have the money you cannot spend the money, mince instead of chops, long life milk rather than fresh. As more pensioners are added so goes down the CPI "inflation" rate, the screw tightens. Once the "basket" of CPI goods was based on Sydney and Melbourne, it was extended to include all state capitals in the interest of equity. Equity between a Sydney rented home and one in Hobart???

Prior to 1998 the CPI was based on ALL expenditure, when interest rates were high that seemed reasonable, however interest has halved but the proportion of incurred debt per household has doubled. Increasing total repayments of debt astronomically in most under 45 Wage and Salary households and consequently reducing expenditure that counted in the CPI basket.

Every 5 years the ABS reviews the demographic trends of spending and population and brings us all in to line, a line so good that over the last 100 years (not a bad averaging figure) wages would have grown by 4 times that of the now 1998 "Adjusted" CPI.

The consultants found that in every case the value of the Comsuper income was being eroded by the use of the CPI Index.

The changes in the CPI "adjustment" method was recognized by some Ex Service Organisations (ESO's) and it was also recognized by the Superannuated Commonwealth Officers Association, for what it is, a money grab against those who were promised that "A lesser income now will be your reward in retirement".

The following ABS statement ***"Changes in the CPI are therefore unlikely to reflect exactly the price experience of any specific subgroups of the CPI population group.*** Key words, ***"of any specific subgroups"*** Subgroups? Lets take such a sub group, Military Compensation recipients. Military Compensation is adjusted to the CPI. Compensation maybe payable form a young age, as front line soldiers are usually young people, thus at 65 using the ABS's own calculations the Compensation payment would not purchase a can of coke. Some existing Military Compensation victims are married and have dependent children.

The RSL advised that, while the CPI was accepted back in the 1970s, "it was differnet world"

The Government instigated the changed method of indexation the ABS is its compliant instrument of "Authoritive Proof". The ABS has developed, under instruction, a method of manipulating Government fiscal responsibility that is not equitable. It is based on the assumption that all, recipients, are over 65, and therefore require lesser income. Other assumptions are, that they, own their own house, are debt free, do not replace major items of household goods, can afford private health insurance (i.e. have no ongoing major medical expenses) and have no dependents.

The ABS said. Quote:

It is worth noting, however, that retired persons and households whose principal source of income consists of ***indexed superannuation pensions generally incur relatively less expenditure on interest charges than households on average, as the households containing persons receiving superannuation are more likely to own their principal residence outright or to be renting their residence, rather than being in the process of purchasing. Therefore the current CPI, which excludes interest rate charges entirely, is likely to provide a better, but not perfect, measure of the changes in the cost of living experienced by these households than a CPI which incorporates interest charges with a wide representative of the community as a whole*****”**.

Note the omission of Defence Compensation and how there is no comparison to the expanded “Household” data collection base from just Wage and Salary earners households to the post 1998 inclusion of all of Households.

The committee conducting the enquiry made recommendations that the CPI was poor measure of income increase, they went no where, and will go no where. The Commonwealth of Australia intentionally did not put aside the withheld wages of it employees, justifying its withholding because of its “Generous Superannuation Scheme” it has by its own admission underpaid its own employees.

Military Compensation has been long regarded as an expense by Defence and it sought to have military compensation included in the CPI basket, it still is.

Unfunded liabilities for just Commonwealth Public Servants in 1999 was 46% or 8% of 1999 GDP

If they can do it to Returned Soldiers, Military Compensation victims, Defence Force Superannuation and its own Public Service Employees. Where does that leave you?

Soon we will have a Federal Industrial System imposed by a Government that treats Returned Soldiers, Military Compensation victims, Defence Force Superannuation and its own Public Service Employees with contempt, changing the rules when it mismanages its own spending, yet imposes upon Private Employers the Superannuation Guarantee Act.

Feeling just a bit hollow, a bit venerable, next ANZAC Day when the Politicians speak with eloquence about the wonders deeds of our Military, ask yourself, if they are prepared to reduce the income of Disabled Veterans, what will they do to us?

Look to tomorrow when you seek to access your superannuation on the assumption that your employer has fulfilled his Moral obligations and has done his best, as he expects of you.

If the Government of the day can welch out when it’s their turn to “Shout”, what trust can you place in that Government? When will you become expendable? or in the words of the ABS a “***specific subgroup”*** and thus a lesser Australian.

The last page shows the progressive income fall that the changes in the CPI have imposed on a 22 year Military Serviceman and War Service Veteran, what chance have you!

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Lost income after 15 years $112,187.00

CPI = Consumer Price Index

MATWE = Male Average Total Weekly Wage, this is the index that the aged pension is based on.

Point to note, Politicians base their Superannuation increases on yet another index that averages 2% better than MATWE.

Years after work	CPI Incre-ase in %	Yearly Starting Pension Rate	CPI Increase	MATWE Incr-ease in %	Starting Pension Rate	MATWE Increase	Difference between CPI & MATWE	Lost Income
1	2.5	$ 15,000	$ 375	3	$ 15,000	$ 450	$ 75	$ 75.00
2	2	$ 15,375	$ 308	2.5	$ 15,450	$ 386	$ 79	$ 153.75
3	2.5	$ 15,683	$ 392	3	$ 15,836	$ 475	$ 154	$308
4	1.5	$ 16,075	$ 241	2	$ 16,311	$ 326	$ 237	$544
5	2	$ 16,316	$ 326	3	$ 16,638	$ 499	$ 322	$866
6	3	$ 16,642	$ 499	3.3	$ 17,137	$ 566	$ 495	$1,361
7	4	$ 17,141	$ 686	4.2	$ 17,702	$ 743	$ 561	$1,922
8	5	$ 17,827	$ 891	5.3	$ 18,446	$ 978	$ 619	$2,541
9	4	$ 18,718	$ 749	6.5	$ 19,423	$ 1,263	$ 705	$3,246
10	3.5	$ 19,467	$ 681	5.5	$ 20,686	$ 1,138	$ 1,219	$4,465
11	3	$ 20,148	$ 604	4.5	$ 21,824	$ 982	$ 1,675	$6,140
12	2.5	$ 20,753	$ 519	3.5	$ 22,806	$ 798	$ 2,053	$8,193
13	2.3	$ 21,272	$ 489	3.8	$ 23,604	$ 897	$ 2,332	$10,525
14	2.6	$ 21,761	$ 566	4.5	$ 24,501	$ 1,103	$ 2,740	$13,265
15	3	$ 22,327	$ 670	3.6	$ 25,603	$ 922	$ 3,277	$16,541
16	3.5	$ 22,996	$ 805	4.5	$ 26,525	$ 1,194	$ 3,529	$20,070
17	3.5	$ 23,801	$ 833	5.5	$ 27,719	$ 1,525	$ 3,917	$23,987
18	4	$ 24,634	$ 985	4.5	$ 29,243	$ 1,316	$ 4,609	$28,596
19	4.5	$ 25,620	$1,153	4.8	$ 30,559	$ 1,467	$ 4,939	$33,535
20	4	$ 26,773	$1,071	4.8	$ 32,026	$ 1,537	$ 5,253	$38,789
21	3	$ 27,844	$ 835	3.8	$ 33,563	$ 1,275	$ 5,720	$44,509
22	3.5	$ 28,679	$1,004	3	$ 34,839	$ 1,045	$ 6,160	$50,668
23	2.8	$ 29,683	$ 831	2.9	$ 35,884	$ 1,041	$ 6,201	$56,869
24	2.5	$ 30,514	$ 763	2.5	$ 36,924	$ 923	$ 6,411	$63,280
25	2.2	$ 31,277	$ 688	3	$ 37,847	$ 1,135	$ 6,571	$69,851
26	3	$ 31,965	$ 959	4	$ 38,983	$ 1,559	$ 7,018	$76,869
27	2.8	$ 32,924	$ 922	4	$ 40,542	$ 1,622	$ 7,619	$84,488
28	3	$ 33,845	$1,015	4.8	$ 42,164	$ 2,024	$ 8,319	$92,807
29	4	$ 34,861	$1,394	4.8	$ 44,188	$ 2,121	$ 9,327	$102,134
30	4	$ 36,255	$1,450	5	$ 46,309	$ 2,315	$ 10,054	$112,187

The percentages are guesses based on the Government Actuaries estimate that the CPI after 96-98 will be 1.5 to 2% lower over a long period, the Government Actuaries figures are on public record and can be forwarded by email if you require the report.

The involvement of Ex Service Organisation’s has been patchy, some good and some patchy, the R&SL is at the very patch end.