"Remember! The first line on the envelope address shows your financial status"

Issue No. 26 *Website: www.sasuperannuants.org.au* **August/September 2009**

THE SUPERANNUANT

Newsletter of the South Australian Government Superannuated Employees Association Inc
Trading as S.A. Superannuants. Established 1927

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From The President

In this my first 'From the President' column I want to let members know something about myself. I joined the SA Public Service in the early sixties and, after two years, moved to ETSA as Assistant Superintendent of Personnel and Staff Training. Whilst at ETSA I was seconded to the Public Service to Chair an Enquiry into Training in Industry, Commerce and Government in South Australia. The findings of this report were implemented by the Government.

From 1971-79 I held Director positions with the Public Service Board and was a member of the Commonwealth Enquiry into Technical and Vocational Education. Our report, TAFE in Australia, created the term "TAFE College". I also was a member of the Commonwealth TAFE Commission for eight years where I chaired an enquiry into TAFE Teacher Education.

From 1980 until my retirement in 1995 I held several senior positions in the Department of Further Education. After retiring in 1995 I established an international education and training consulting business. Recently I have wound this business down and turned to other interests, including two grandchildren.

I hope that my experience and networks will let me make a positive contribution to the Association and I look forward to fulfilling the roles of Association President and Chairman of its experienced and hardworking committee.

Peter Fleming

CPI Change: The Adelaide Consumer Price Index increase for December 2008-June 2009, was 0.59% and this same adjustment will be made to Super SA pensions in October, 2009.

In This Issue of *The Superannuant*

General Meetings

Meeting Venue: Pilgrim Centre, 12 Flinders Street, Adelaide. Meetings commence 1 p.m.

Speakers August-November, 2009
(Changes may be made without notice)

August 31: Antony Smit, Acting South Australian Valuer-General *"Residential Valuations"*
September 28: Elizabeth Watt, Centrelink 'Impact of the Budget on Retirement Incomes'
October 26: Ron Mitchell, Whale and Dolphin Conservation Society, "Whale and Dolphin Conservation in SA"
November 30: Dr Brian North, Neurosurgical Research Foundation, "Neurosurgery and Neurological Disorders"

Bad News On Indexation

On 21 August The Federal Minister for Finance, Hon Lindsay Tanner, MP released the long awaited report of the Matthews Inquiry into the indexation of Commonwealth civilian and military superannuation pensions.

The Commonwealth retiree organisations had argued before the inquiry for indexation to be changed from the present Consumer Price Index (CPI) to that used for the age pension. Age pension indexation ensures that the maximum age pension, while modest, does keep up with changes in living standards. CPI indexation freezes a person's living standard in retirement at the level they have when they first retire.

Mr Matthews has recommended no change to the current indexation arrangements saying that employers are not required to update a former employee's retirement income in line with changes in living standards, only to maintain its purchasing power. The Government has accepted this recommendation and will be making no indexation changes to its pensions. **While this is the case there is no prospect of a change to the indexation of state super pensions.**

Part of the argument for resisting improved indexation of superannuation pensions is that recipients of such pensions may qualify for a part age pension. This is true but, as the following item shows, many recipients of a part age pension are going to have that pension income undergo a relative decline from 20/9/2009, and others, commencing an age pension after that date, will find they have become entirely ineligible for an age pension payment. *RH*

Age Pension Entitlements From 20/9/2009

Author's Comment: *this matter takes up most of the newsletter and may not make easy reading. But the age pension changes will adversely affect a substantial majority of defined benefit pension recipients and there may be worse to come.* ***Much of what you read in this newsletter you will not see being described elsewhere.*** *The matters dealt with are being ignored or played down by other retiree organizations but I believe that the account given below is a fair and full account of how the reforms will work, with any inaccuracies being minor. Ray Hickman*

The Adverse Impact of Pension Reform

Once the Government's age pension reforms take effect on 20/9/2009 current and future part age pensioners will be worse off than they would have been without the reforms if the following conditions apply to them.

1. the part age pension being received now, or from 20/9/2009 for future age pensioners, is determined by the income test, and
2. the income is greater than $12,500 p.a. (for a couple combined) or $21,000 p.a. (for a single person) and
3. there is no income from employment

Overview Of The Changes Pending

Under current arrangements the essential features of the age pension system are:

Means Testing: there is an income test and an asset test that are both applied to everyone. In the income test the withdrawal rate (taper rate) is 40 cents in the dollar for income above the income thresholds and in the asset test it is $1.50 for each $1000 of assets above the assets threshold. The two tests usually give different entitlements and it is the smaller entitlement that is paid.

Types of payment: there is a base pension and a set of supplementary payments

Maximum Payment Rates: the common rates are as set out in Table 1. The last row of the table gives the total payment that the Government has estimated would have applied if the current system (referred to from here on as the 'old system') had continued.

Table 1: maximum payment rates ($ per annum) for age pensioners under the 'old system'.

	Single	**Couple**
Until 19/9/2009		
Base Pension	14,308	23,899
GST Supplement	507	848
Pharmaceutical Allowance	156	156
Telephone Allowance	138	138
Utilities Allowance	519	519
Total	15,628	25,560
If the 'old system' was operating at 20/9/2009		
Total	15,818	25,863

Indexation: the base pension amount is indexed twice-yearly to the better of the Consumer Price Index (CPI) or Male Total Average Weekly Earnings (MTAWE).

The New Age Pension System

From 20/9/2009 there will be a new age pension system in which the main characteristics are:

Means Testing: the withdrawal rate in the income test will increase from 40 to 50 cents in the dollar but the asset test withdrawal rate will remain unchanged. A work bonus will be introduced for use in the income test and this will see only half of employment income up to $15,000 p.a. counted.

Types of payment: there will be a base pension and a single supplementary payment.

Maximum Payment Rates:

a) the base pension for a single person will be increased by $1560 p.a. ($30 per week).
b) Additional supplementary payments of $129.50 p.a. (single person) and $527 p.a. (couple combined) will be added to the existing supplements to create a single new supplementary payment.

Table 2: Government estimates of maximum payment rates ($ per annum) for age pensioners in the 'new system' at 20/9/2009.

	Single	Couple
Base Pension	16,042	24,186
New Pension Supplement	1,463	2,199
Total	17,505	26,385

Indexation: Going forward from 20/9/2009 the base pension will be indexed twice-yearly to the best of the CPI, a new Pensioner Beneficiary Living Cost Index (PBLCI) and MTAWE. The pension supplement will be indexed to the CPI.

Who are the winners under the 'new system'?
All recipients of a full age pension will be better off than now and so will all part age pensioners who are asset tested. In addition, some people currently excluded from age pension by the asset test will become eligible in the new system. Most income tested part age pensioners who have employment income will be better off in the new system due to the work bonus.

Who are the losers under the 'new system'?
Income tested people who have incomes above about $21,000 p.a (single person) and $12,500 p.a. (combined income for a couple) will be worse off under the new system unless the income includes employment income. Consequently, most recipients of a defined benefit superannuation pension, such as a Super SA pension, will be losers under the new system. The reason is the increase in the income test withdrawal rate from 40 to 50 cents in the dollar. This will quickly overwhelm the modest increase in maximum payment rate for a couple, and then it will overwhelm the more substantial increase for singles.

The Transitional Age Pension System

If there was only the 'new system' operating from 20/9/2009 then existing, income-tested part age pensioners with private incomes above about $21,000 p.a. (single person) and about $12,500 p.a. (combined income for a couple) would experience a reduced age pension entitlement from 20/9/2009 and some would be forced off the age pension entirely. The Government, for obvious reasons, does not want this to happen and so we have transitional arrangements for these existing part age pensioners. This is the 'transitional system'.

The people who have commenced their age pensions by 20/9/2009, and who will find themselves in the transitional system after that date, are those described above as the losers under the new system. The main characteristics of the 'transitional system' will be:

Means Testing: the withdrawal rate used to calculate a part age pension will be 40 cents in the dollar. The work bonus will not apply.

Types of payment: there will be a base pension and a single supplementary payment.

Maximum payment rates: the transitional system only includes income-tested part age pensioners. The maximum payment rate in this system therefore is simply an amount used to calculate a part age pension entitlement. This maximum rate for the base pension will not include any increase from what applies now in the 'old system' other than an indexation increase. Just what is going to happen with the supplementary payment in the transitional system is not so clear but it has been assumed here that, for both couples and singles, an extra $527 p.a. will be added to the supplement.

Indexation: the maximum payment rate used to calculate part age pensions in the transitional system will be indexed to the CPI only.

In Table 3 the writer's estimate of the maximum payment rates that will be used in the 'transitional system' to calculate part age pension values are compared with the Government estimates of maximum rates that would have applied in the 'old system' and those that will apply in the 'new system'. The transitional system estimates assume a CPI change at 20/9/2009 of 0.6%

Table 3: comparison of maximum payment rates ($ per annum) at 20/9/2009 for the transitional, old and new systems

	Single	**Couple**
Transitional System	16,249	26,240
Old System	15,818	25,863
New System	17,505	26,385

From the figures in Table 3 we see that people in the 'transitional system' will be better off at 20/9/2009 than they would have been if the 'old system' was still in place (by $431 p.a. for singles and $377 p.a. for couples). This is because the maximum payment rate used to calculate their part age pensions ($16,249 for singles, $26,240 for couples) will be higher than it would have been if the old system continued in place ($15,818 for singles, $25,863 for couples).

The improvement is due to the additional supplementary payment of $527 p.a. that will go to everyone at 20/9/2009. The improvement is not as great as $527 p.a. because it has been offset by the fact that the maximum payment amount for the transitional system has been indexed at 20/9/2009 to the CPI only whereas in the old system it would have been indexed to MTAWE.

The improvement for people in the 'transitional system' will be the smallest that anyone gets and it will be temporary. At each twice-yearly indexation after 20/9/2009 the maximum payment rate used to calculate part age pensions under the income test in the 'transitional system' will be indexed to CPI only. In the 'old system' indexation was to MTAWE which would be about 1.5% p.a. higher. This means that people in the 'transitional system' will go backwards, from the position they would have had under the 'old system', at an annual rate of about 1.5% of the maximum pension rate in the 'old system'.

In the first year of the 'transitional system' the movement backwards for a couple will be about $350 and for a single person about $200. After two years the backwards movements will be about $700 and $400 respectively and so on in later years. Eventually everyone in the 'transitional system' will have gone backwards so far from the position they would have had in the 'old system' that they will be better off in the harsher 'new system' and will move to that system.

The 'transitional system' is made necessary by the increase in the withdrawal rate and the Government has referred to this change as *'better targeting'* of the age pension which will mean *'the full benefit will flow to those with no or little private income, while ensuring those with higher incomes receive proportional increases'*. This claim does not stand up to close examination.

The fact that the asset test remains unchanged demolishes the claim that the full benefit of the pension increase will flow only to those with no or little income. The reality is that the full pension increase will flow on undiminished to every asset-tested person regardless of the level of income and assets.

At the same time, the increase in the income test withdrawal rate from 40 to 50 cents in the dollar in the 'new system' and the lower indexation rate in the 'transitional system' demolish the claim that income-tested people with higher incomes are going to get proportional increases. This will only be the case for the small minority of income-tested part age pension recipients who have income from employment and are able to make use of the work bonus. For others who are income-tested the reality is that once private income exceeds $21,000 p.a. (singles) or $12,500 p.a. (combined income for couples) the changes will be detrimental compared to the 'old system'.

Keeping in mind the fact that all asset-tested part age pensioners are going to gain from the reforms (even at asset values above $500,000 for singles and $800,000 for couples) we can conclude that income-tested part age pensioners of very modest private means are being called on to meet the cost of increased age pension payments to people better off than themselves to start with, as well as being required to meet the cost of increased payments to people who are worse off.

What Will You Lose And How Fast?

Tables 4a and 4b compare the age pension entitlements at 20/9/2009 for income-tested part age pensioners in each of the 'transitional system', 'old system', and 'new system'. A range of private incomes from $12,500 to $60,000 p.a. is used. In each table the range of private incomes begins at the value beyond which people will be immediately worse off in the 'new system' and ultimately worse off in the 'transitional system'

Table4a: Part age pension ($ p.a.) for couples

System	Private Income ($ p.a.)			
	12500	**30000**	**45000**	**60000**
Transitional	23819	16819	10819	4819
Old	23442	16442	10442	4442
New	23359	14609	7109	0
Initial Gain	377	377	377	377
Ultimate Loss	83	1833	3333	4442
Transition time (years)	1+	6.5	10	12.5

Table 4b: Part age pension ($ p.a.) for singles

System	Private Income ($ p.a.)			
	21000	**30000**	**35000**	**40000**
Transitional	9326	5726	3726	1726
Old	8895	5295	3295	1295
New	8851	4351	1851	0
Initial Gain	431	431	431	431
Ultimate Loss	475	1375	1875	1726
Transition time (years)	2.5	7	9.5	9

Notes: 1. Initial Gain is the difference between the 'old system' value and the 'transitional system' value. Everyone covered by each table gets the same initial gain and everyone begins to lose it at the first indexation change after 20/9/2009.
2.Ultimate Loss is the difference between the 'old system' value and 'new system' value. People who do not commence age pension until 20/9/2009 will experience this loss immediately.

The ultimate loss values also are good indicators of the loss that ultimately will be experienced by people who had commenced their age pension before 20/9/2009. But for these people it is a loss that may not be fully realised until as many as 12 years have elapsed from 20/9/2009. This is the time interval indicated in the row of the table labelled "Transition Time'.

For example, a couple with a private income of $30,000 p.a., and already receiving age pension at 20/9/2009, are represented as having an ultimate loss of $1,833 p.a. and a transition time of 6.5 years. Each year the couple spends in the transitional system will see their age pension entitlement decline by about $350 from what it would have been in the 'old system' with the result that, after 6.5 years, the total decline of $2,275 will have eliminated their initial advantage of $377 p.a. and put their age pension payment about $1900 p.a. behind what it would have been in the 'old system'. About this time the couple will move to the 'new system'.

In the writer's opinion it is fair and accurate to say that the effect of the age pension reforms on income-tested part age pensioners will be that many of those commencing age pension after 20/9/2009 will experience a sudden, and often severe, detriment while many of those who had already begun their pensions by 20/9/2009, and come under the transitional arrangements, will experience comparable detriments albeit more slowly.

Spouse Issues

a) Spouses commencing age pension before and after 20/9/2009: the partner who commences age pension before 20/9/2009 will be in the transitional system if that is better for them. The other partner will be in the new system even though the transitional system might be better for them. Therefore there will be some age pension couples where one partner receives a different age pension payment than the other. This has not happened before except where the partner getting the smaller payment was not eligible for age pension and was receiving a different Centrelink payment such as the Newstart Allowance.

b) Surviving spouses and the two systems: where both members of a couple are receiving an age pension payment and are in the transitional system then, when one partner dies, the survivor will continue in the transitional system if that is better for them. If not they will be able to go to the new system.
Movement between the two systems: this is a one-way street. People moving from the transitional system to the new system will be staying in the new system.

The Work Bonus: only half of any employment income up to $13,000 p.a. will be counted in the income test for people in the new system. For people who have employment income as part of their private income the work bonus will offset the detrimental effect of the new system's increased withdrawal rate. Where a couple is able to make full use of the work bonus they will be better off in the new system unless their private income is about $50,000 p.a. or more.

Nothing written here should be taken to indicate opposition from the Association to the increase in payment rates that the Government has made. For people entirely reliant on the age pension these increases are justified. What is objectionable is that the Government is depressing incomes of part age pensioners of modest means in order to recover the cost of its reforms. It seems to prefer to do this rather than gather the cost savings from a broader cross-section of Australians. *RH*

Where Might We Be Headed Next?

There is widespread dissatisfaction with the small improvement made to age pension payments for couples and pressure on the Government to do more. If it responds to this pressure and increases the base pension rate for couples it will have to simultaneously raise the single rate because it is committed to maintaining the single rate at two thirds the married rate. **The question then will be: where will the Government look to offset its costs?**

The Government used the Harmer Review of the Age Pension as the basis for its decision to increase the income test withdrawal rate. The Harmer Review also argued that the asset test should only be seen as a secondary test and not relied on as a means of controlling age pension costs. Therefore, in the event of the Government incurring additional age pension costs through a further increase in the base pension rate it seems likely that it will look to the income test again to provide its offsetting savings. The income test withdrawal rate might be increased further **unless the Government gets a reminder that, at the next election, those it has so selectively targeted for cost recovery in the current reforms have a chance to make Government MPs their target at the ballot box.**

As far as a further increase in the income test withdrawal rate goes it is surely significant that the very large retiree organizations have made no real criticism of the increase from 40 to 50 cents even though they must be aware that this will hit people with modest private incomes including some of their own members. One prominent retiree organization, *Council on the Aging (COTA*), when referring to the increase from 40 cents to 50 cents, said ‘A few years ago it used to be 60 cents’ suggesting that a move to a 60 cents withdrawal rate for the income test might also be acceptable to COTA. The Association has written to COTA about this. *RH*

What Has The Association Done?

A senate hearing into the pension rule changes was held on 19 June with one day’s notice being given to potential participants. The Association made a written submission to the inquiry and Tom Hayes, the Senior Vice-President of the Australian Council of Public Sector Retiree Organisations agreed to represent us. Tom is a Canberra resident. He is also a very able person and had been working closely with the Association on the pension issue.

Tom reported that our submission appeared to have an initial effect on Senators but COTA and National Seniors representatives were then very supportive of the Government proposals saying that the increase in the withdrawal rate was a price they would accept in return for the increased payments being offered.

After the hearing the Senate Committee recommended acceptance of the pension reforms and they were passed in full. The Association’s submission to the Senate Inquiry (and those made by other organisations) can be seen at the web address below.
http://www.aph.gov.au/hansard/senate/commttee/S12215.pdf

What Can You Consider Doing?

If you are affected adversely by these changes to pension arrangements there are a number of things you can do to express your displeasure. If you are a member of another retiree organisation you should make it known to the leadership of the organisation that you expect it to defend the interests of income-tested part age pensioners.

You could contact your Federal Member of Parliament to complain. **Do not think that a letter from you will be ineffective.** Parliamentarians do take notice of letters from their constituents particularly when they get several on the same subject.

If you know non-members who are likely to be affected by the changes you should refer them to the Association website where an on-line copy of this newsletter has been posted. *RH*

Fees And Their Payment

Fees: Annual=$10. Member for Life: age under 60=$200, age 60-65=$160, over 65=$110

When Do Annual Fees Become Due? New members joining before 30 June as annual members are financial until 31 December of that year after which another annual fee is payable. New members joining after 30 June are financial members until 31 December of the following year. This long first year of membership is seen by the Executive Committee as a reasonable compromise to avoid a person having to pay two annual fees less than six months apart.

Continuing annual members must pay the annual fee for every year of membership. An annual member who was financial until 31 December 2008 and paid the renewal fee in May 2009 is financial only to December 31, 2009 and not until May, 2010 or December, 2010.

b)When paying by cheque or money order
please send your payment to

Membership Officer
S.A. Superannuants
P.O. Box 348
Modbury North SA 5092

c) When paying by electronic funds transfer
Please make sure that when the payment arrives in the Association account it is accompanied by your surname, initial and suburb. Otherwise we may not be able to recognize who has made the payment.

Our Bank is **Bank SA** and other details are:
BSB 105-900
Account number 950313840
Account name SA Superannuants
d) When making an in-person deposit into the Association's bank account you must notify the membership officer (in writing or by e-mail) that you have done this and the date. This type of payment can be very difficult to assign otherwise

e) New members and payments by electronic funds transfer or in-person deposits
If you are a new member paying by one of these methods please also send a membership application form to the Membership Officer so that your necessary details can be recorded.
To apply for membership of the Association, or renew your existing annual membership, or convert annual membership to membership for life complete the form on page 8.

Membership Matters

Into the Future Update

The Association now has a logo and motto as well as a redesigned masthead for the newsletter and letterhead for correspondence. You will be able to view the logo in colour soon on the home page of our website. We have chosen eucalyptus green - very Australian.

A logo is a symbol, a reflection of the organisation it represents. The logo has to be visually memorable and easily identifiable. Think of companies such as Westpac, Qantas, Shell.

Protection and unity for SA Superannuants were integral to the design. The logo has been based around the strong and identifiable shape of a shield. Our logo has the impression of a net (safety in numbers) - very important in retirement. Our large shield is made up of smaller individual ones (representing the members).

The motto is self explanatory - Unite Protect Prosper. If we don't have unity we can't be protected and we definitely won't prosper.

Christine Venning

Speaker's Corner

How do I find computer lessons? This was a question asked of Ian Hildebrand, our guest speaker at the July meeting.

Ian provided some options for people to consider

1. Some library staff offer basic lessons in using the Internet and sending emails.
2. Get in touch with your Council/library for contact details of your local University of the Third Age (U3A). Some U3As run computer courses for members. The largest one, University of the Third Age Adelaide branch (tel 8359 3307), certainly does.
3. Seniors Information Service at 76 Waymouth Street Adelaide 8168 8776 is another source.
4. Your library may have a free program available offering step by step tutorials in Windows Vista, Word 2007, Powerpoint, Excel,The Internet etc. All you need is your library card number and password. The library staff can assist here. The instruction level can be selected to suit your experience.

Christine Venning

Membership Statistics

New members of the Association

Paul Henderson Dawn Thorp
John Potter Martin Caon

Current Membership: following the mail-out of the last newsletter, where members with overdue fees were advised of the fact by a notice attached directly to the newsletter about 150 members renewed their membership for 2009. There were about 100 people who did not respond and their names have been removed from the membership list. This is not an actual loss of 100 members in 2009 because many had been kept on the list from 2008. Current Association membership is:

Annual members: 720
Members-for-life: 868
Total: 1,588

During 2009 26 members have converted from annual membership to membership-for-life.

New Association President

The call for expressions of interest in the position of President made in the May/June Newsletter has been answered by Peter Fleming. Peter attended several Executive Committee meetings as an observer and was appointed to the Committee at the July meeting. In accord with a procedure recommended by Vice-President Clive Brooks Peter was installed as President at a Special Meeting of the Committee held before the regular August meeting.

2009 Executive Committee

President: Peter Fleming
Vice-President: Clive Brooks
Secretary: Vic Potticary
Assistant Secretary: Christine Venning
Treasurer: Michael Evans
Membership: Ray Hickman
Guest Speaker Coordinator: Roger Tilmouth

Committee Members:
Arnulf Anders, Queenie Inshaw, Max Kernich, Claire Withers

Argo Shares

At the May Executive Committee meeting it was resolved that all dividends would be re-invested in share purchases until the Committee determined otherwise. Vice-president Clive Brooks has made the necessary arrangements.

✂ ***Cut this half-page section off***

Membership Applications/Renewals

Please provide at least your full name and address in the panel immediately below and then complete whichever of the other three panels applies to you.

Surname…………………………………
Given Name………………………………
Address…………………………………
…………………………………………..
Telephone…………….
Signature…………………..Date………

- -

<u>Renewal of Annual Membership</u>

As my fee for renewal of annual membership

I have enclosed $-------- OR

I have made an electronic funds transfer of $----- to the Association Bank Account OR

I have made an in-person deposit of $------ into the Association bank account.

- -

<u>Changing Annual to Life Membership</u>

I am an annual member of the Association changing to membership for life. My date of birth is …………. As my fee for membership for life

I have enclosed $----------- OR

I have made an electronic funds transfer of $----- to the Association Bank Account OR

I have made an in-person deposit of $-------- into the Association Bank Account.

- -

<u>New Membership Application</u>

I am applying for membership of the Association. The category of membership I require is……………(write annual or life)
Date of Birth………(life applications only)

I have enclosed $-------- OR

I have made an electronic funds transfer of $----- to the Association Bank Account OR

I have made an in-person deposit of $-------- into the Association bank account.
Receipts will be sent for Life membership Fees but members requiring a receipt for an annual fee must enclose a stamped self-addressed envelope.