

THE SUPERANNUANT

Newsletter of the South Australian Government Superannuated Employees Association Inc
Trading as S.A. Superannuants. Established 1927 <https://www.sasuperannuants.org.au/>

Membership Applications/Renewals(e-mail preferred during COVID-19)

The Membership Officer, S.A. Superannuants, P.O. Box 348, Modbury North, SA 5092
(08) 85226885. E-mail: maxwjahn39@gmail.com

General Correspondence (e-mail preferred during COVID-19)

The Secretary, S.A. Superannuants, GPO Box 2036, Adelaide S.A. 5001
M: 0401148751 E: brenton.pain@outlook.com

From the President

We have certainly had a few things going on since our February Newsletter. **Ray Hickman** has resigned from the committee to spend more time with his family. We wish Ray all the best and thank him for his great work over many years. Ray has indicated he will continue to assist when he can, but in an advisory role. In that regard, we are looking for members with a background knowledge and interest in superannuation to set up an advisory group that can consider issues and offer advice to the committee from time to time, without necessarily becoming committee members. So, if you have an interest in any aspect of superannuation and you would enjoy working on it with other members from time to time, please speak to me or any member of the committee. Or if you prefer, please phone or email.

Our new name. At a special meeting on 3 May 2021, members present voted to change our name to **The Association of Public Sector Superannuants Incorporated**, trading as **PS SUPERANNUANTS**. The new name reflects our wider membership base as a national organisation. Established in 1927, we will continue to proudly emphasise our history as we head for our centenary year.

Future directions. Following the results of the *Key Directions* member surveys we are prioritising the issues raised so that we can pursue them appropriately as time permits and with targeted emphasis at the lead up to elections both state and federal. One of our key directions proposals was for the work test to be repealed for people aged over 65 and the Federal Budget includes a move in this direction (see p 4).

Choice of Funds. **Lindsay Oxlad** has penned interesting articles in this edition on a superannuation bill recently passed by the SA Parliament, and the Retirement Incomes Review report to the commonwealth government last November. You can read the Association's letter to the SA Treasurer about the funds selection bill at the website, through the members portal.

A warm welcome to all new members, especially in Victoria, where an active and thoughtful working group has recommended that ex-SCOA members join the Association as a national organisation. We are keen to support, and to gain strength from, our new colleagues.

General Meetings and our Guest Speaker Programme. Our monthly general meetings are back on, and **Ian Beckingham** has continued to arrange very interesting personalities to entertain and inform us. If you haven't been to a meeting for a while please make the effort to attend and take advantage of the opportunity to hear our special guests, and to catch up with friends.

Membership Fees. Thanks to everyone who has paid, and a reminder on behalf of our Membership Officer, **Max Jahn**, and Treasurer **Mike Evans** that if you have been sent a reminder, please pay your 2021 fees.

Peter Fleming. Past President Peter continues to deal with his ongoing health issues, but is determined to continue to contribute as a committee member when he can. Thanks Peter, we appreciate your input and wish you well. To Members and families, stay well in this Covid-19 time.

James Vandenberg

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Disclaimer: readers should not act, or refrain from acting, solely on the basis of information in this newsletter, but should consult the relevant authorities and advisers

CPI changes to pensions: the Adelaide CPI change for the September and December 2020 quarters was 1.66% but due to the negative change of 0.69% for the March and June quarters of 2020 the change made in April 2021 was 0.95%. This change reflects the change for the entire 2020 year.

CSS and PSS pensions are indexed in line with an average CPI change for all eight capital cities. The pensions did not increase on 1 January 2021 due to the negative CPI change of 0.34% for the June and September quarters of 2020. The change for the December, 2020 and March 2021 quarters was 1.46% but the July increase in these pensions will be 1.1%. Again this increase will reflect the CPI change for the 12 month period up to the end of the March 2021 quarter.

2021 Committee

President: James Vandenberg
Vice-President: Vacancy
Secretary: Brenton Pain
Treasurer: Michael Evans
Membership Officer: Max Jahn
Assistant Secretary: Lindsay Oxlad
Guest Speaker Co-ordinator: Ian Beckingham
Committee member (6 positions): Alan Raftery, Barry Gear, Peter Fleming

2021 ANNUAL GENERAL MEETING

President James welcomed more than 50 members to the AGM on 22 February 2021. He presented a report on behalf of himself and Peter Fleming, covering matters including Membership, the Newsletter, Finances and the proposed change of name for the Association. He thanked the office bearers and committee members for their untiring effort over the last year.

Honorary Life Membership was awarded to Peter Fleming, to Max Jahn and to Christine Venning in recognition of their dedicated years of service to the Association.

Ray Hickman spoke about the Key Issues survey of January 2021, and explained the thinking behind the superannuation or retirement system matters addressed in the survey.

Treasurer Michael Evans tabled his financial report, and spoke about the long-term financing concerns for the Association. In recognition of rising operating costs, membership fees were increased. A show of hands at the meeting indicated strong support for a voluntary levy to meet rising costs and to maintain a healthy financial balance to meet any future major issues.

Peter Fleming took over the meeting and chaired the election of office bearers and committee. Being the only nominee, James Vandenberg was declared President. James declared the appointment of and congratulated the remaining office bearers and committee nominations.

Guest speaker Mac Benoy entertained us with an engaging and informative presentation about Sir Charles Todd and the contribution he made to South Australia over his 35 years of service.

Forthcoming Meetings

Meetings begin at 1:00 pm at Mead Hall, Flinders Street Baptist Church, 65 Flinders Street Adelaide.

Please book for each meeting you are attending, by phone or text to 0401148751, or email to brenton.pain@outlook.com.

Speaker Program May - August 2021

May 31: Penny McKenzie, RAA Driver Education Team,
Road Code Quiz (with prizes) tips for older (more experienced?) drivers

June 28: Royal Association of Justices,
speaker to be confirmed,
The role of a modern day Justice of the Peace

July 26: Byron Gregory, CEO of Health Partners,
The place of Private Health Insurance within the Australian Health System

August 30: Peter Christopher, return visit by request,
The "City of Adelaide" Clipper Ship project

Membership Officer's report

Thank you to all members who renewed their membership before the end of the year.

To all members who received my reminder letter, I apologise. It was too abrasive, and upset some members. I was not intending to accuse any one of anything, but just suggesting non-fee payment was a great inconvenience to our Association, costing us a considerable amount in emailing and posting reminder letters.

In February we started with 135 unfinancial members. As at the end of April I had whittled that down to 40 unfinancial members, who, sadly, I will have to take off the membership list. Only financial members receive newsletters. Membership stands at 1530 full members, and 154 partner members.

Please forgive me for my confronting reminder letter. I will be much more kindly in the future.

Yours sincerely, *Max Jahn*

Securing the future of our association

The Association has changed greatly in the last decade, and many of the changes have increased the cost of running the organisation. For examples: we used to conduct the mail-out of the newsletter by holding working bees of committee members, this was a considerable task for already busy people, so we decided to

pay for the printer and Australia Post to carry out this task; a few years ago we moved into the digital age by launching our website; we discovered that the level of insurance we had taken out gave a lower level of cover than recommended for organisations like ours, this could have left Committee members personally liable in certain circumstances; we therefore upgraded our cover. Changes like these cost money.

At present the income of the Association is \$10,000 to \$12,000 p.a., comprising roughly 500 annual members paying \$20 p.a., plus some members taking out life memberships (in 2020 there were 32 of these bringing in an additional \$4,580, an atypically high figure due to the influx of former SCOA members).

Expenditure is at least \$20,000 p.a., comprising the newsletter (\$10,000), insurance (\$2,500), hall hire (\$1,500), executive expenses (\$1,500), fees (COTA, ACPSRO, Federation... \$1,000), audit fee (\$800), end of year party (\$700), tax (\$500), and guest speaker gifts (\$500); in addition to these regular expenses there are occasional major expenses such as upgrading the website (\$3,800 in 2020). To be comfortable we must allow for expenditure of around \$23,000 p.a.

At the end of 2020, the Association's gross worth was \$132,423. Therefore, if we take no remedial action we can, at best, expect the Association to function for 8 to 10 years before our diminishing finances threaten our existence.

There is another extremely important consideration to take into account: with a bank balance of \$120,000 we would be able to undertake legal action, if, for example, the Government tried to do to us what they did to the Electricity Industry Superannuation Scheme members. I do not believe we should assume the Government, of whatever persuasion, will **NOT** look at our pension scheme as a potential source of income. In 1998 and 2002 the Government commissioned reports from Mercer Consulting, both of which advocated doing to our scheme what was done to the EISS, that is compulsorily changing the scheme from untaxed-source to taxed-source with the employer pocketing the tax savings. The estimated savings for the Government were over \$300,000,000. **If this sort of situation were forced on us our**

reserves would become a fighting fund.

Therefore, we would like to keep our bank balance over \$100,000, and we will not be able to achieve this if our income remains around \$10,000 p.a.

The Committee has discussed this issue extensively and it does not believe it fair to raise our fees and put the burden solely on our 500 annual members; it believes it is far more equitable to ask that life members contribute also. Therefore, the Committee has decided the following is a reasonable way to proceed.

We ask that every member, **both annual and life**, consider making a voluntary annual donation to the Association. **This is not an impost, it is purely voluntary**, if a life member believes that life membership means just that, a one-off payment and never paying anything more, then this member need not donate. The idea of donations has been discussed both in the Committee and with members at the AGM, and the positive response from both life and annual members was very gratifying. Several long-time life members have been quite vocal that after many years of membership they are happy to donate to help secure the Association's future.

So, we ask that every member consider donating \$10 (more if you wish) to the Association. As Treasurer, I believe that if a large proportion of our members donate \$10, the Association's financial future will be secure. Note that even with a \$10 annual donation our fees offer excellent value for money; for comparison in the last year of SCOA's operation its annual fee was \$42.

We ask that donations be made electronically to our BSB 105-900, account number 950 313 840 and described by your name and "Donation" (e.g., MEvansDonation), or, post free, by cheque or money order to SA Superannuants, Postage Paid 85714, P.O. Box 348, Modbury North, SA 5092. If you are paying your annual membership fee just add an extra \$10. *Michael Evans*

2021 Budget- work test repealed

Budget documents state that 'the Government will repeal the work test for non-concessional and salary sacrificed superannuation contributions, allowing Australians aged 67 to 74 more flexibility to

contribute to their superannuation'.

This will move the superannuation system part way towards something that the Association has been seeking for some time. Our proposal, made to the Retirement Income Review and in a pre-budget submission, was that 'all people aged 65 and above be permitted to make non-concessional contributions to superannuation without having to satisfy the work test.'

This change will cater for all retirees who are prepared to consider moving savings from the banking system where interest rates are secure, but very low, to the superannuation system where there is a lower security but the good chance of much higher returns. The quick recovery of the share-market after the initial impact of COVID-19 may reassure people who consider moving their savings into the superannuation system.

Compared to retirees with account-based superannuation income people with untaxed-source superannuation pensions (Super SA, CSS, PSS) have an additional incentive for moving savings into the superannuation system. This is the fact that many of us pay tax of 30% or more, and medicare levy, on the small earnings of bank accounts. Tax on the higher earnings of a superannuation account is no more than 15%.

Ray Hickman

Website news

In these trying times it is not as easy as it once was to attend the association's General Meetings. However if you would like to catch up on the various guest speaker's presentations they are all available on the web site (<https://www.sasuperannuants.org.au/speakers-corner/>) You will also find information about the next meeting on our site. Those of you who have provided e-mail addresses will get e-mail advice about upcoming meetings but if we haven't got your e-mail address then you will need to rely on your copy of the Superannuant which has only 3 issues a year.

The member's portal continues to provide plenty of information about the association's activities. Here you will find the minutes of our executive meetings as well as the minutes of our General Meeting and important correspondence sent out by the association on your behalf. It is well worth the effort to regularly check out the web

site if you want to keep abreast of the association's work.

In a short while those members who have provided e-mail addresses will receive a new password for the member's portal as this is specifically reserved for fully paid up members in 2021. Keep an eye on your inbox for this information.

With our new name will eventually come a new web site address. This address is likely to be www.psssuperannuants.org.au, however in the initial stages using the old address will direct you to the new address if you forget. You will be notified by e-mail when the change takes place.

Filming of General Meetings: the committee has discussed the advantages of filming our General Meetings and making them available on the web site. What we need to do this is obviously a camera and an operator. If you have a video camera and are reasonably skilled in its use could you consider volunteering your services in this way to the association? Post video production skills would be the icing on the cherry.

Please contact the association by phone, mail or e-mail (sasupera@gmail.com) if you think you could help in this way. *Peter Frick*

Webinar for members?

The COVID-19 restrictions on face-to-face gatherings forced many organisations like SA Superannuants to pivot to adopting video conferencing (via Zoom, MS Teams or YouTube) for business meetings and webinars as virtual conferences replacing 'business as usual'.

In light of this it is envisaged that the opportunity exists for the Association to arrange to produce webinars featuring eminent speakers or panels of speakers (with a moderator) discussing subjects of interest to members and answering questions about them as a supplement to (or in some cases a replacement for) the face-to-face monthly General Meetings.

Equally the Association could provide members with access links to the webinars produced by other organisations (e.g. Super SA, Statewide Super, Australian Super, COTA, CSS/PSS, Private Health Insurers, ATO, Moneysmart, Private Healthcare Australia, Members Health

Fund Alliance, etc) that they publish on a range of topics of interest to members.

Therefore your feedback and comments are sought on the level of interest in such a proposal and the types of topics and subjects that you would like covered if it was decided to proceed.

Please forward your feedback and comments to the President James Vandenberg by email on vandyjg@bigpond.com or the Secretary Brenton Pain on Brenton.pain@outlook.com.

Lindsay Oxlad

Choice of Fund Bill

The SA Parliament has passed the State Government's *Statutes Amendment (Fund Selection and Other Superannuation Matters) Bill* that will provide the opportunity for current public sector workers to opt out of making their superannuation contributions to Super SA defined-contribution (accumulation) retirement products and instead make their contributions to other defined-contribution superannuation funds (e.g. Statewide Super, Australian Super, HESTA or retail funds).

The legislation retains Super SA as a constitutionally protected fund and does not appear to pose a threat to Super SA Pension scheme members' retirement benefits. It will also allow Super SA to employ its staff directly in its own right rather than the current situation where staff are Treasury Department employees "made available" to Super SA.

While such a development appears benign it could facilitate the outsourcing of some or all of Super SA's administration and/or insurance functions if the Government so chooses.

The Association has written to the Treasurer to obtain clarity on the Government's intentions in relation to Super SA and its impact on public sector retirees who are Pension scheme and Income Stream members.

Lindsay Oxlad

Retirement Income Review

Along with the Productivity Commission Inquiry into Superannuation, on the 27 September 2019, the Federal Government initiated the *Retirement Income Review* (RIR) to provide it with an evidence base and details of

trade-offs required to provide the foundation for its retirement income policies and legislation (see <https://treasury.gov.au> for details).

The Review's final report was presented to the Government on the 20 November 2020 and provides an outline of Australia's retirement income system in terms of its adequacy, equity, sustainability and cohesion. It reinforced the Three Pillars of the Retirement Income System being the Pension, Superannuation and Personal Savings (including home ownership).

Some of the key findings of the Review were:

- The Australian retirement income system is effective, sound and has sustainable costs.
- Compulsory superannuation allows people to achieve a retirement income that better reflects their pre-retirement income.
- The objective of the retirement income system should be "to deliver adequate standards of living in retirement in an equitable, sustainable and cohesive way".
- The Age Pension is more than a safety net and plays an important role in supplementing the superannuation savings of retirees and allowing them to maintain their living standards.
- The home is the most important component of voluntary saving.
- Focus should also now be on improving the lot for women to assist them to build retirement income.

The Council for the Aging (COTA) will be using the RIR to develop comprehensive policies to allow them to actively advocate for retirees and its constituents with the Federal Government, something that the Association will be monitoring closely. *Lindsay Oxlad*

Bits and pieces

The Commonwealth Superannuation Corporation held its first Annual Members Meeting on 16 March. CSS and PSS members who missed it (and anyone interested) can see a video or read a transcript at https://www.csc.gov.au/Members/News/AMM_2021. We have congratulated the Corporation on the meeting, and noted its clear statements about acting in members' best interest, and advocating on their behalf.

Have you seen the "3rd Act" articles published at the CSC website? A lot of the material is relevant to all superannuants, not only members of the Commonwealth schemes. Go to <https://www.csc.gov.au/Members/Retirement/3rd-act-community>.

SA Pension Scheme members recently received advice from Super SA offering to with-hold slightly more tax from pension payments (if the member wanted that) because there are 27 payments in the coming financial year instead of the usual 26. Super SA has advised that if the form is returned prior to 17 June, the extra tax will be deducted from the first payment in July. If the form is received after 17 June, the extra tax will be deducted from the next fortnight's payment. No extra tax will be deducted this financial year. *Brenton Pain*

A member asks

Following publication of the item 'Good, but not better than the S.G.' in issue 60 of *The Superannuant* (February 2021) a member has written to the Association with a request for a follow-up article that compares:

'total income received for a 100% S.A. State Pension (single person, no age pension income) with the income from a lump sum resulting from S.G. paid for 40 years and personal contributions equivalent to those made by the S.A. State Pension member (9.18% of salary paid by salary sacrifice for 30 years).'

Here is the requested comparison: let us assume that a S.A. state pension member, Thelma, has just retired at age 65 with a pension of \$67,500 p.a. which is 75% of her retirement salary of \$90,000 p.a.

If we assume Thelma's pension has a 5% tax-free component then only \$64,125 is taxable income and this same amount will be assessed as income in the age pension income test. Tax payable on income of \$64,125 is \$11,308. Medicare levy is \$1,283. She can claim tax offsets of \$6,412 (10% tax offset), \$1080 (low and middle income tax offset). This reduces her tax payable to \$3816. Her net income is therefore \$67500 - \$3816 - \$1283 = \$62,401 p.a.

Thelma's S.A. state pension is exempt from the age pension asset test. The cutout point for age

pension, for a single person under the income test, is \$53,700 p.a. and eligibility for the Commonwealth Seniors Health Card (CSHC) cuts out at \$55,808 p.a. So Thelma, at least early in her retirement, will get neither an age pension payment nor the CSHC.

Thelma has a friend, Louise, who worked in the private sector where she had an accumulation account which received employer contributions of 9.5% of salary for 40 years while she contributed 9.18% of her salary for 30 years by salary sacrifice. Her salary was identical to that of Thelma. Her lump sum would, according to the article published in Issue 60, be $11.2 \times \$90,000 = \$1,008,000$.

Let us now assume that Louise retires on the same day as Thelma and uses her \$1,008,000 to set up an account-based (formally known as allocated) pension account. She expects an investment return of 6% p.a. which is 1% more than the 5% p.a. she got during the accumulation phase. The main reason for the difference is that there will be no earnings tax payable on her account balance now that it is providing a pension. In the accumulation phase earnings were subject to tax at a rate up to 15%.

Louise's allocated pension account balance is subject to both the age pension asset test and income test. For the latter the account balance is deemed and the deemed income is \$21,620 p.a. This would allow her to receive an age pension payment of \$16,050 p.a. But, under the asset test, eligibility for age pension, for a single person, cuts out at \$583,000 and so Louise is not eligible for an age pension payment. There is no asset test for the CSHC, and her deemed income is less than the cutout point, so she will be eligible for a CSHC (worth about \$2,000 p.a.)

Between the ages of 65 and 75, Louise is required to withdraw at least 5% of her account balance as at the start of each financial year. However, in order for Louise to have the same disposable income as Thelma, in the first year of retirement, she will have to draw down her allocated pension account balance by about $\$62,401 - \$2,000 = \$60,401$. The earnings of the account in that first year will be 6% of $\$1,008,000 = \$60,448$. *Continued p 8*

Joining and Renewing

Fees and How to Pay

Annual Member

\$20, partner, \$8

Life Members

Age under 60 = \$360

60-65 = \$290

66-70 = \$210

Over 70 = \$170

Partner = \$75

***Receipts** will be sent for Life Memberships. Please include a stamped, self-addressed envelope for others.*

a) Paying by cheque or money order

Please send your postal payment to:

Membership Officer

S.A. Superannuants

P.O. Box 348

Modbury North SA 5092

E-mail: maxwjahn39@gmail.com

b) Bank transfers and personal deposits

*Please make sure that the payment is accompanied by your name and suburb, **and** please notify the membership officer of its date and sufficient details to identify you as the payer.*

Bank SA: BSB 105-900

Account number: 950313840

Account Name: SA Superannuants

c) New members

When paying by one of these methods, please send a membership application form to the Membership Officer so that your necessary details can be recorded.

***On the next page** a form is provided for new members to join, and existing members to renew their annual membership, convert to a life membership, notify a change of address and supply an e-mail address.*

Joining & renewing online

If you receive *The Superannuant* by downloading a digital copy from the Association website you can click on the link below in that digital copy to open the relevant page of the website. Choose **online: New Members**, or **online: Renewing Members** as appropriate.

<https://www.sasuperannuants.org.au/how-to-join/>

Member Details and Payments

Existing Members

Our records show your details as:

Please indicate errors or changes

.....
.....

New Members Title..... Gender.....

First Name Last Name

Postal Address _____

Year of Birth.....

Home phone.....

Mobile phone.....

New *and* Renewing members

Payment amount \$.....

Purpose of payment (tick relevant box)

- ☐ Renew annual membership
☐ Life membership (see scale, previous page)
☐ Change annual to life (see previous page)
☐ Partner Annual Membership (\$8 p.a.)
☐ Partner Life Membership (\$75)

Newsletter by post ☐ email ☐

Email address

.....@.....

Signature.....Date.....

'A member asks' continued from page 7

As time goes by indexation will increase Thelma's pension in gross amount (by 1-2% p.a.?). To keep up, Louise will have to increase her drawdown, thereby reducing her account balance at an increasing rate.

Life expectancy for a 65 year old female is 22.5 years. After this period has elapsed Louise is likely to have an account balance of at least \$400,000 and will have started to receive an age pension payment. Thelma's S.A. State pension will have been increasing at a rate less than the age pension and she will also likely be getting an age pension payment.

This item, being a follow-up to the 'Good but not better than the S.G.' item that appeared in Issue 60 of *The Superannuant*, would appear to support the proposition that S.A. State Super pensions and the S.G. (plus the same personal contributions) both provide good retirement incomes. Thelma will have a comfortable retirement and need not worry about her pension running out, or ever having to rely entirely on the age pension. But she must accept that, if she dies relatively young, her pension will have no estate value.

Louise knows she will have a comfortable retirement for well past her notional life expectancy with her super retaining a substantial estate value all the while. But she must accept the possibility that, if she does live long enough, she will have to reduce her drawdown, otherwise it could run out and leave her entirely reliant on age pension. Thelma and Louise might be treated very differently if either require a home care package or aged care, because Thelma has a substantial assessed income, whereas Louise has a substantial assessed asset.

It is for readers of the two items to decide whether they agree that many Australians today, given a choice between the S.A. state pension and the S.G., would stick with the latter.

Ray Hickman