

“Remember! The first line on the envelope address shows your financial status”—ME

South Australian Government Superannuated Employees Association Inc.

trading as:

S.A. Superannuants *Established 1927*

Newsletter

Website—www.sasuperannuants.org.au

Issue No. 19
May, 2007

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From the President

On February 27 the Senate passed legislation providing for changes to the taxation of superannuation benefits, and other superannuation changes (the *Simpler Super* package). As a result, Super SA pensioners will be able to claim a 10% tax offset on their pensions from 1-7-2007.

For Super SA pensioners who are taxpayers this will be, by far, the most significant improvement that has occurred with these pensions since the State Pension Scheme was closed to new members in 1986.

The newsletter includes a supplement setting out some details of how the tax offset will work.

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The 10% tax offset, being a taxation measure, is most effective for those with higher value pensions. Some members will not gain anything from it. This aspect of the situation is addressed in the item *‘Improving the position of non-taxpayers’*.

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If you are continuing as a member this year please check the label on the envelope this newsletter came in. If it says ‘Paid to 31-12-2006’ this means that our records indicate you have not yet renewed your membership. Any queries about this should be directed to Michael Evans. Also note Michael’s item on the back page referring to the new electronic method of paying fees.

The audited financial report, which was presented to members at the AGM, is reproduced in full on the reverse side of the supplement sheet. John Reddaway can feel well pleased with the situation he has handed on to the new Treasurer, Michael Evans.

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Protecting the interests of pension scheme members involves taking notice of all changes made to superannuation legislation. In the items *‘New Administered Schemes’* and *‘New Regulations Power Unwelcome’* a recent legislative development, causing some concern, is described and discussed.

Ray Hickman

General Meetings

Venue: Pilgrim Centre, 12 Flinders St., Adelaide
1 p.m.-2.30 p.m.

Speaker Program: May-August, 2007

May 28: Robert Kearney, Country Fire Service

June 25: Lesley Becker, Royal District Nursing Society

July 30: Lennox Paulsen, the Scottish Influence in South Australia

August 27: To be finalized (see August Newsletter)

Annual General Meeting

About 120 members attended a very successful AGM held at the Pilgrim Hall on 26 February, 2007.

Highlights of the meeting were:

1. Award of Honorary Life Membership to Vic Potticary.
2. Filling of all Officer and Committee positions
3. Discussion of the Committee’s decision to invest up to one third of Association reserve funds in a well diversified share portfolio.

At the conclusion of the AGM formalities, Vice-President Clive Brooks introduced the Guest Speaker, Hon Vickie Chapman, MP. Ms Chapman spoke on the topic of Housing Affordability. At the conclusion she was asked what she thought about the tendency for prominent female MPs to have their credentials made the subject of greater scrutiny than those of males. In her reply she said that we will know when men and women are equal in politics when we see a mediocre woman as the Prime Minister. She hastened to add that this remark was not directed at any Prime Minister, or former Prime Minister, or aspiring Prime Minister, still living.

Disclaimer: Readers should not act, or refrain from acting, solely on the basis of information in this newsletter, but should consult the relevant authorities or other advisers with expertise in the particular field. Neither SA Superannuants nor the editor accepts any responsibility for actions taken.

Improving the Position of Non-taxpayers

The Executive Committee is very conscious of the fact that the 10% tax offset may produce little or no improvement in the position of members in receipt of relatively small Super SA pensions because they may already be paying little or no tax.

There are two possible changes, not involving taxation, that would improve the incomes of all members particularly those receiving small pensions.

These are:

1. Indexation Change: The Australian Council of Public Sector Retiree Organisations (ACPSRO) has been pursuing this for several years but without success. The Federal Government is refusing quite bluntly to make the change to its superannuation pensions and the Federal Opposition has only committed to conduct an inquiry if it is elected.

One interesting point that the Opposition has made is that it will be looking, in particular, at indexation of the component of a superannuation pension which equals the value of the age pension (currently \$13,653 p.a.). Presumably this means that it will consider an indexation method which sees the first \$13,653 of the superannuation pension indexed to the better of CPI or wages and the balance indexed to CPI only.

2. Centrelink Income Test Change: Compared to other Australians with self-funded pensions of the same amount (remember, a Super SA pension is a self-funded pension) Super SA pensioners receive less age pension.

The reason is that, under the Centrelink income test, the entire taxable amount of a Super SA pension is counted as income whereas many other superannuation pensions, e.g. allocated pensions, have a large proportion of the pension that is not counted as income. If Super SA pensions were assessed under the Centrelink income test using the same approach as applies to other pensions this would lead to increased age pension entitlements. A convincing case for this change can be made.

S.A. Superannuants is continuing with efforts to achieve improved indexation of pensions and will also continue to argue for changes to the Centrelink income test. The Centrelink change is, quite definitely, a Federal matter.

Indexation of state pensions is, in principle, up to each state to determine but all state-based retiree organizations agree that no state is likely to consider an indexation change until the Commonwealth has made the move. Even then every state retiree organization expects that the task of getting its state to agree will be a difficult one.

The August issue of the newsletter will be devoted mainly to items dealing with indexation and the means testing of age pensions. RH

New Administered Schemes

The Superannuation Act 1988 (the Act) has, from its start, covered only the pension scheme and the lump sum scheme. The pension scheme was closed to new members in 1986 and the lump sum scheme in 1994.

The Southern State Superannuation Scheme (SSS) is the main Government scheme which remains open to new members and it was established by the Southern State Superannuation Act 1994.

There are other superannuation schemes which serve the needs of South Australian public sector employees but which were not established under State legislation. Most of these schemes have, until recently, been subject to Federal Government supervision through the Superannuation Industry (Supervision) Act 1993.

In June, 2006 amendments were made to the Superannuation Act 1988 allowing any scheme entirely or substantially funded by the S.A. Government to leave the Federal jurisdiction and become a scheme established under the Act if the scheme trustee requests and the Treasurer agrees. These schemes are called *Administered Schemes*.

The Ambulance Officers Scheme was the first Administered Scheme and its trustee has transferred all responsibility to the Super SA Board. At the other extreme the Metropolitan Fire Service Scheme has become an administered scheme still controlled by its own trustee.

The Association would have preferred for Administered Schemes to have their own Act and we had been advised, in 2005, that this would be the case.

The next item outlines a concern that the Association has about the change made to the Act to accommodate these Administered Schemes. RH

New Regulations Power Unwelcome

When the Administered Schemes amendments were made to the Act they included an amendment to *Section 59 Regulations*. This sets out the power to make regulations under the Act and it has now been amended by inclusion of paragraph (1a)(d) which says that a regulation may '*provide that a specified provision of this Act does not apply in prescribed circumstances, subject to any condition to which the regulation is expressed to be subject*'

Generally speaking, regulations are only used as the means of setting out how an Act will work. It is very unusual for an Act to include a power to make a regulation which can cause any part of the Act to not apply and in circumstances which need not be determined until the regulation is made. Such a power means that every person affected by the Act loses all certainty about how the Act is going to work. Such a power is entirely inappropriate in a superannuation Act. *continued next page*

The Association has asked why this unfettered power to suddenly cause **any part** of the Act to not apply has been sought.

The informal answer we have been given is that the amendment of the Act to accommodate Administered Schemes makes it impossible to predict difficulties that might arise from having these new schemes established under the Act. Consequently, the sweeping power to suddenly choke off, via regulation, any part of the Act that begins to cause difficulty, is needed to deal with this new uncertainty. Of course, if this is the case it is an admission that Administered Schemes should be the subject of a separate Act.

Who might be adversely affected and how? It seems unlikely that any regulation will be made which adversely affects pension scheme members who have already retired and commenced their pensions. All retired members are 'in the same boat' and will remain this way until death. Therefore, a change which affects one member is likely to affect all 15,000 retired members and their partners.

But members still at work are not all 'in the same boat'. For example, if a future State Government was to abandon its 'no forced retrenchment' policy for State Employees there are provisions of the Superannuation Act 1988 which will make a big difference to those who are retrenched. Other provisions of the Act allow for members in acting roles, with salaries higher than their substantive salaries, to receive pensions calculated using the higher salary. If provisions like these are made to not apply this will make a difference to some members but not others.

Scare-mongering or vigilance? The raising of these possibilities might be seen as scare-mongering. But the two examples chosen are credible possibilities. Removal of the retrenchment provisions of the Act has been foreshadowed by S.A. Government sources during the tenure of the previous Liberal Government. Under the current Labor Government unannounced regulations have been made changing the provisions of the Act dealing with the salary to be used in calculating a pension entitlement.

This issue is being discussed, at the Association's request, within the Superannuation Federation where the major public sector unions are represented. Because those at most risk are pension scheme members still at work it would seem appropriate for the Federation, rather than the Association, to be the main player in the matter. RH

Co-operation with Tasmania

The Tasmanian organization corresponding to S.A. Superannuants is the Tasmanian Association of State Superannuants (TASS). Our two organizations have in common that our pensions are both untaxed source pensions. This has led the two organizations to co-operate with one another over superannuation

matters. In 2006 we combined with TASS to make a joint submission to the Federal Government on untaxed source pensions.

At the time of the 2006 Annual General Meeting of the Australian Council of Public Sector Retiree Organisations (ACPSRO), held in Canberra, Vice-President Clive Brooks and I, along with TASS President Rob van Schie, met with Federal Treasury officials and with Labor Senator Nick Sherry. The meetings considered the *Simpler Super* proposals and concerns each state organization had about its state government not applying Federal tax laws on superannuation in the way that is intended.

I believe it is in the best interests of both our organizations to keep in close contact with one another over all superannuation matters. It is a pity that the other state where untaxed source pensions are being paid, Western Australia, has had its state retiree organization go out of existence. RH

Electricity Industry Superannuation Scheme

Difficulties faced by members of the Electricity Industry Superannuation Scheme (EISS) have been reported previously in this newsletter.

The main problems for EISS members have been:

- a) The lack of an external appeals mechanism against decisions of the EISS Trustee Board;
- b) The method of recalculating pensions following the change of EISS from being an untaxed fund to being a taxed fund.

Late last year legislation affecting EISS was introduced into the South Australian Parliament and this provided an opportunity for some members to highlight the lack of an external appeals mechanism. The State Government agreed that this was not defensible and undertook to apply pressure to the EISS Board to provide members with access to an external avenue of appeal. The Association's latest information is that the Trustee has agreed to allow members access to the Superannuation Complaints Tribunal. This is a positive development.

Another positive development has been a decision of the Trustee to give members retiring from now on, the option of continuing to receive an untaxed source pension rather than take a taxed source pension calculated using the method that is in dispute. This still leaves a number of people in the position of having been required to take reduced pensions which they (and the Association) believe were reduced by more than is justified.

The Association will continue to support EISS members who have been given no option but to take reduced pensions. **This is a precedent of potential relevance to the State Pension Scheme and the Association is determined to see it overturned no matter how long this might take.** RH

Members' Column

To the Editor
SA Superannuants Newsletter
Dear Sir,

I am sure that many members were interested to read the exchange in correspondence between Tony Starke of Gawler and our President, Ray Hickman, in the February, 2007 Newsletter.

Mention was made in those letters that recipients of NSW and Victorian public service pensions will pay no tax on those pensions after 1 July 2007. Members may be interested to know that Queensland public service pensioners will also pay no tax after that date, as the Queensland government has for many years fully contributed to their scheme.

It seems therefore that we South Australians will certainly be in a small minority of state public sector retirees who receive pensions on which tax is still payable after 1-7-2007.

Yours sincerely,
Mike Duff

*[Editor's Note: Conversion of Super SA pensions to taxed source pensions remains high on the Association's agenda. The proviso for change is, as has been the case all along, that it must be **voluntary for every member.**]*

* * *

Dear Ray,

Sorry I have been unable to attend SAS meetings at the Pilgrim Centre for some time, but I thought I should draw your attention to the enclosed cutting from *The Advertiser* dated 27-10-2006 and the related calculations I did using my Super Pension.

	Minimum Wage	Super Pension
1997 \$/week	359	721
2006 \$/week	511	932
% difference	42	29
% difference/yr	4.7	3.3

It is a significant difference, of which I am quite sure you are aware.

Yours sincerely,
John Osborne

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2007 Executive Committee

President: Ray Hickman

Vice-President: Clive Brooks

Secretary: Vic Potticary

Assistant Secretary: Christine Venning

Treasurer: Michael Evans

Membership: Willy Hajszan

Committee Members:

Lawrie Bennett, John Reddaway, Maureen Goodwin,
Willy Hajszan, Bob Scott, Queenie Inshaw

From the Treasurer:

Many members have chosen to pay their membership dues by direct transfer. This has mostly worked well but there have been three deposits of \$10 each that did not have any identification with them. These arrived on February 5th, February 27th and March 5th, so there are three members who have not had their membership dues payment recorded.

If you made a transfer around one of these dates please check your financial status on the address label of this newsletter, if you are not financial and believe that you should be so you may not have identified yourself when you transferred money to the SA Superannuants' account. In this case please contact the treasurer on 8557 8184 or by email (mmeevans@picknowl.com.au, count the m's and the e's, there are 2 of each) so we can credit your payment.

Please make sure you identify yourself whenever you make an electronic transfer to SA Superannuants' account.

Our bank is **Bank SA** and other details are as follows:
BSB 105-900,
Account number 950313840,
Account name SA Superannuants. ME

Membership Form

Cut here and post to:

SA SUPERANNUANTS

8 Eden Court, Aberfoyle Park, 5159

Existing Life members should ignore this section (unless notifying change of address). Membership inquiries should be directed to Willy Hajszan, Tel 8387 2076.

Your membership category is on the envelope.

MEMBERSHIP 2007

Renewal 2007/New Application /Life membership

(Delete as necessary)

Please find enclosed the amount of \$.....OR

I have made an electronic payment of \$.....

For S.A. Superannuants Annual/Life Membership

FULL NAME (please print)

ADDRESS (please print).....

..... Post Code.....

Tel.:..... Date of Birth...../...../19.....

SIGNED.....

DATE...../...../200.....

***Fees:** Annual = \$10. Life (*once only fee*) Under Age 60 = \$200; Age 60-65 = \$160; Over Age 65 = \$110.

(Receipts will not be posted unless a stamped, self-addressed envelope accompanies the application)

