

Summary of the advisory group meeting held on 30/9/2021

Participants: Trevor Nock, John Pauley, Richard Clough, Ron de Gruchy, Ray Hickman. APSS Secretary Brenton Pain admitted participants and APSS President, James Vandenberg. James thanked all participants for their interest and wished us well in our deliberations. Brenton stayed with the group to listen and handle any technical problems that might arise with Zoom. None arose. Barry Apsey was not able to join the meeting due to a family matter requiring his attention.

Pre-July 1988 service

There seemed to be agreement that where an untaxed-source pension recipient has pre-1 July 1988 service a fraction of the pension equal to the fraction of service completed before July 1988 should be treated as income taxed in the fund. This would make it tax-free after age 60. This to be done without any requirement for the gross pension to be reduced or for the pensions to be funded.

A problem seen was that the representations currently being made to achieve this involve a claim that state schemes are paying tax-free pensions that are not funded and have not been reduced even when some of the service is post-July 1988. Do we keep on including this claim in our argument or try another approach? Possible elements of an alternative approach might be to point out or claim

- that non-funding of Commonwealth pensions was a decision made by the Commonwealth government with the obvious intention of ensuring that it continued to recover a substantial part of the cost of its defined benefit pensions through income tax paid by its former employees in retirement. Additional savings were also made in reduced Centrelink outlays because the extra tax paid by the retirees was assessed in the age pension income test.
- that most states have been able to fund their pension schemes sufficiently to ensure that all pensions are fully funded by the time of the member's retirement. Clearly the Commonwealth government has always had the capacity to do the same but has chosen to use the money for other purposes.
- this money, that has not been used to fund the pensions, is money borrowed from fund members.
- it is now about 30 years since members of funded schemes began enjoying a tax advantage over the members of unfunded schemes. Asking for some catch-up through recognition of the pre-July 1988 service of members of untaxed-source schemes seems justified.
- the cost is likely to be relatively small and declining. We could ask an MP to get an estimate of this cost.

Are our member's pensions 'Generous compared to the community standard of the S.G.?

There also seemed to be agreement that politicians are convinced that public sector defined benefit pensions are much more generous than the Superannuation Guarantee and that this gets in the way of arguing for improvements. SCOAWA and APSS have adopted different

approaches to dealing with this problem in their recent written submissions to the Federal government. Perhaps some combination of the two approaches would assist here.

While each of these two items is likely to be considered further at future meetings there was some consideration given to other possibilities. From the list below it was agreed that items 2. and 3. be on the agenda next time. Reference was made to other possibilities, and you are invited to give consideration to these. The next meeting is likely to be in early November.

Note: where a yes has been emphasised in the Table I believe that the organisation(s) have taken a position on that issue. I could be wrong about this.

Item of interest	Taxed-source DBPs	Untaxed source DBPs				
		CSS	PSS	APSS	SCOAWA	TASS
1. Indexation	yes	yes	yes	yes	Yes	Yes
2. Taxation of non-super income	no	yes	yes	yes	yes	yes
3. Age pension income to be non-taxable	no	yes	yes	yes	yes	yes
4. Lifting of 10% cap on tax-free amount for centrelink purposes	yes	no	yes	yes	yes and no	yes
5. Abolition of the work test	yes	yes	yes	yes	yes	yes
6. Transfer balance cap valuation factor to be age-related	yes	yes	yes	yes	yes	yes
7. Pre-July 1988 service component of pensions to be tax-free	no	yes	yes	yes	yes	yes
8. Deeming rates	yes	yes	yes	yes	yes	yes
9. Universal CSHC	yes	yes	yes	yes	yes	yes
10. DBPs are good but not better than the S.G.	???	???	???	yes	???	???

A fundamental issue is how we describe the circumstances of people we are claiming to represent. This is people relying on untaxed-source superannuation pensions. Do we focus on the average pension and avoid reference to the fact that there are significant numbers of our members getting considerably more than the average? Do we claim that large numbers are battlers, doing it tough? Item 9. is relevant here.

Anyone supporting a universal CSHC runs the risk of being seen as an advocate for billionaires. Aside from billionaires the criticism could be made that a couple with untaxed-source pension income of \$90,000 p.a. is well off and does not need the support with health

costs that the CSHC provides. But the response to this criticism is that, currently, a couple with financial assets of over \$4 million is eligible for the CSHC. Even if deeming rates rose to 5% a couple would still be eligible with \$1.8 million and this asset would earn well over \$90,000 p.a. in a superannuation fund.
