Issue No. 33 Website: www.sasuperannuants.org.au January/February 2012

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

At the 2012 AGM three members of our Executive Committee, Claire Withers, Lawrie Bennett and Kevin Crawshaw, retired. Claire has been a committee member for many years and contributed much wisdom and experience to our deliberations. Lawrie has been on committee for one year but, typical of his commitment to the task of Guest Speaker Coordinator, he leaves us with more than half of the 2012 program organised. Kevin may well rejoin the committee in the future if he has less time and organisational clashes.

Your committee contains a core of longstanding members, Ray Hickman, Vic Potticary, Michael Evans, Clive Brooks and Christine Venning, who not only devote many hours of their time, but also bring with them qualifications and experience of a high order. Clive's extensive senior legal experience has proved invaluable in our pursuit of a proper and valid decision in respect of the pension reduction ruling made by the EISS. Clive and Ray have advanced this matter with sound research and a sensible use of the FOI process. Our ever cheerful Secretary Vic Potticary continues to shoulder a huge workload. He has been able to continue this work, despite heavy family health issues, because Christine Venning rejoined the committee as Assistant Secretary.

On another occasion I will expand on the other committee members including Treasurer and sometimes ACPSRO representative Michael Evans, innovative and meticulous Membership Officer, Max Jahn, Committee member Arnulf Anders, a man of many interests, and our working observer, Eileen Pritchard.

I hope that 2012 is a healthy and prosperous one for all superannuants. *Peter Fleming*

CPI Change: The Adelaide Consumer Price Index increase for June 2011–December 2011, was 0.94**%** and this same adjustment will be made to Super SA pensions from April, 2012

Annual General Meeting

Monday, 27 February, 2012, at 1 p.m.
Pilgrim Centre, 12 Flinders Street, Adelaide

Agenda:

1. Apologies.
2. Minutes of the 2011 Annual General Meeting.
3. Annual Reports: President, Treasurer.
4. Notice of motion on spouse memberships (see item on page 2).
5. Election of Officers and Committee for 2012 (see item on page 2).

Guest Speaker:

Mr Hieu Van Le AO, Lieutenant-Governor of South Australia

'His life and the role of a Lieutenant Governor'.

Speaker Program for General Meetings:
March-June, 2012
(Speakers and topics subject to change without notice)

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

March 26: Mr. Rod Gillies and Mr. Jed Richards: Macquarie Equities Ltd. Insuring your investments.
April 30: Mr. Christopher Gregory: Regional Broadband Coordinator. National Broadband Network.
May 28: Mr. Evan Reay: Eastern Region Men's Shed Coordinator. Men's shed movement in Australia.
June 25: Ms Maxine Cape: An aged rights advocate. Aged rights.

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.

In This Issue of *The Superannuant*

Nominations for the 2012 Committee

Nominations received at 21/1/2012 were:

President: Peter Fleming
Vice-President: Clive Brooks
Secretary: Vic Potticary
Treasurer: Michael Evans
Membership Officer: Max Jahn
Assistant Secretary: Christine Venning
Guest Speaker Coordinator: No nomination
Committee member (up to six positions):
Arnulf Anders, Ray Hickman.

There remain four vacancies for the Committee and at least two of these should be women.

In accord with the constitution, where a nomination has been received for a position and has not been withdrawn, no further nominations for that position can be accepted at the AGM. The vote of members present will be for acceptance or rejection of that nomination. Where vacancies exist nominations will be accepted on the day.

Financial Report 2011

The Association's financial report for the year ending 31/12/2011 is posted on the Association website.
Copies of the report will be distributed to members in attendance at the AGM

Observers at executive meetings

If you are interested in being on the Executive Committee, but reluctant to nominate because you are not sure of what might be involved, then you should consider attending meetings as an observer. Just let the President or Secretary know that you want to do this and it will be arranged.
An observer cannot engage in debates or vote at a Committee Meeting but is given speaking rights in all other matters and has every opportunity to see what service on the Committee involves.

Membership for spouses

A person who is not receiving a *Super SA* pension, but who is the spouse of a current member of the Association, is entitled to join as a full member because he/she is eligible to receive a pension on the death of the *Super SA* pensioner. The Executive Committee has been approached to provide for spouses to join the Association other than as a full member.

As a consequence the committee is recommending that members present at the AGM support the motion set out below to allow for spouses of members to join the Association on an annual basis at a cost of $5 p.a. Such members will have voting rights and be eligible to serve on the Committee but will not receive their own copy of *The Superannuant*

NOTICE OF MOTION

Pursuant to section 7.3 of the Constitution of *The South Australian Government Superannuated Employees Association Incorporated*, notice is hereby given, that the following motion will be moved at the 2012 year annual general meeting.

"Having regard to the fact that the spouses, and those partners of members of the Association recognised by Super SA as such are, in accordance with the provisions of section 3.2 of the aforesaid Constitution, eligible to join the Association on account of being in receipt of, or being eligible to receive a pension or an annuity from the South Australian Superannuation Fund, or such other public sector superannuation fund recommended by the Executive Committee and approved at an Annual General Meeting, the subscription of those persons so described who join the Association shall be set as follows:

Spouse or Partner Annual Membership Subscription: $5."

Plea from Membership Officer

Unknown members: Some new member applications, especially when using a postal order or bank transaction, have not included sufficient information to complete a membership record. **If you know a J Hanlon who might have joined the Association please tell him/her to get in contact with me.**

Members who expect, but do not receive newsletters, must contact me too. Both need to ring 85226885 (our answering machine is always on) and leave their names and phone numbers so I can contact them personally to remedy problems.

New data bank for membership: I have converted the Association's membership data bank from Excel to Access. The advantages are that figures and a wider variety of detailed data are now available more easily. We have limited age data, but it is now easy to discover the eldest Annual member is 88 years of age, while Life members' ages go as high as 103 and 101 years of age. I suspect those figures show that we are not informed about members passing away.

Max Jahn

Report on the ACPSRO AGM, 2011

Clive Brooks and Ray Hickman attended the Annual General Meeting of the *Australian Council of Public Sector Retiree Organisations* (ACPSRO) held in Canberra in October. They went with instructions from the Executive Committee to say that, while S.A. Superannuants supports the indexation campaign, we have a concern other important matters are being ignored. They were also instructed to make clear the Association's disappointment at the lack of interest shown by ACPSRO and its affiliates in the October Tax Forum. This was done but both Clive and Ray felt that indexation will continue to be the only retirement income issue that gets serious attention going forward.

Guest speaker was Senator Kate Lundy (Labor, ACT). In her opening remarks Senator Lundy referred to 'vitriolic' criticisms being directed at her over a Coalition Bill for improved indexation of military pensions that just failed to pass the Senate on 16 June 2011. She said that these extreme criticisms were not helpful but she remained committed to working with ACPSRO to get indexation improvements.

Senator Lundy was asked what she thought of the SA Superannuants' view that the Commonwealth should reimburse states that matched an indexation improvement for Commonwealth pensions. The reimbusement being for gains that the Commonwealth would otherwise make in the form of increased tax revenue and reduced age pension outlays. The Senator's response was that she found this proposition 'frightening'.

While in Canberra Clive and Ray met with the Hon Bronwyn Bishop MP, Shadow Minister for Seniors, and with advisers to Hon Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs and an adviser to Senator Matthias Cormann, Shadow Minister for Financial Services and Superannuation. These meetings were pre-arranged from Adelaide with the assistance of Labor member Tony Zappia and Liberal Senator Simon Birmingham. We did not succeed in getting a meeting with the Hon Bill Shorten MP, Minister for Financial Services and Superannuation, or one of his advisers.

The matters discussed with Bronwyn Bishop and with Jenny Macklin's advisers were:

1. CSHC eligibility
2. Age pension means testing
3. Taxation of non-superannuation income

In both these meetings we got an acknowledgement that there is a glaring anomaly in the treatment of untaxed-source superannuation pensions compared to taxed-source pensions as far as CSHC eligibility is concerned.

The matters discussed with Senator Cormann's adviser were:

1. The Association's submission to the Tax Forum on inequitable tax and means-testing treatment of untaxed-source superannuation pensions.
2. Monitoring of the Heads of Government Agreement on Superannuation.
3. Implications for states of improved indexation for Commonwealth civilian superannuation pensions.

The question asked of Senator Lundy about compensation of a state for part of the cost of matching a change in indexation arrangements for Commonwealth pensions was asked of Senator Cormann's adviser. This time the response was that such compensation would be an obvious consequence of any change to the indexation of Commonwealth pensions. *CB and RH*

UniSuper 'Defined Benefit' Pensions

UniSuper is the superannuation fund for employees of Australian Universities. It is well regarded with 453,000 member accounts and assets of $29 billion at 30 June 2011. So, when it became known recently that UniSuper was advising members of its defined benefit division that their defined benefits, including pensions already commenced, might have to be reduced this attracted quite a bit of attention.

For most university employees the university pays 17% of salary as the employer contribution. Initially employees are placed in a defined benefit scheme with 14% of the employer contribution, and personal contributions of up to 7%, being paid into the scheme and pooled. The 3% balance of the employer contribution is paid into an accumulation account in the member's name.

At any time during the first twelve months of their employment employees can elect to leave the defined benefit scheme. Their 17% employer contribution and personal contributions are then paid into an accumulation account in the member's name. If they don't make this election in the twelve month period they must remain in the defined benefit scheme.

When a UniSuper defined benefit member reaches retirement he/she will have a lump sum benefit calculated using a formula that includes salary. The defined benefit lump sum can be used to purchase an indexed lifetime pension or taken in another form including cash.

Members that elect to leave the defined benefit arrangement get whatever lump sum has accumulated in their account. The amount of this lump sum is not related to salary and is simply the result of contributions made and investment returns.

The problem with the UniSuper defined benefit is that there is no requirement for universities to make additional contributions if poor investment returns run assets down to the point where they are no longer sufficient to meet the fund's defined benefit liabilities.

The trustee of every superannuation scheme that offers a defined benefit is required to have the sufficiency of the assets backing the defined benefit assessed every three years by a financial services specialist known as an *actuary*. When the fund actuary advises that he/she considers it possible that assets held are no longer sufficient to meet liabilities the trustee must make every effort to bring assets and liabilities back into line.

The UniSuper trustee has now been advised by the scheme actuary that the recent Global Financial Crisis (GFC) has reduced defined benefit assets to an extent that might no longer be sufficient to meet liabilities. In response to this the Trustee is giving notice to its defined benefit members that their benefits may have to be reduced to a lower level that matches the depleted state of the assets now backing the defined benefit. Provision for doing this is contained within the Trust deed for the defined benefit scheme. **In other words the Unisuper defined benefit is not really a defined benefit.** Members were informed when the provision allowing for 'defined benefit' reductions was added to the Trust deed but, apparently, nobody took much notice at the time. The earliest time at which a decision will be made on whether or not to reduce the 'defined benefit' is early 2013. Should this happen and then good investment returns see the assets increase sufficiently the benefit would be adjusted accordingly.

Is this relevant to Super SA pensions? There are no provisions in the *Superannuation Act 1988* for pensions to be reduced (or increased) on account of investment returns or for any other reason. Such provisions could, in theory, be added by the State Parliament. However, if there is a move to add provisions for reducing benefits payable under the *Superannuation Act, 1988* we will certainly be taking notice.

The following item outlines how poor investment returns are dealt with in the pension scheme and shows the impact that the GFC has had. *RH*

GFC impact on pension scheme assets

The pension scheme is often described as being unfunded but it is partially funded and holds assets worth $ billions. Part of these assets have been purchased with the contributions of members and they are held in an account called *The South Australian Superannuation Fund* or, simply, *The Fund.*

The Fund is responsible for meeting a designated percentage of benefits paid each year. Just as is the case with the UniSuper defined benefit the capacity of *The Fund* to go on paying the designated percentage of annual benefits is assessed every three years by an actuary.

The actuary compares assets held by *The Fund* with the liabilities of *The Fund* corresponding to the percentage of benefits being paid. The Table below displays what has happened with assets of *The Fund*, and the % of benefits that it has been able to pay, since 2003. The years marked with an asterisk are the years in which the actuary, at the end of the year, reviewed the capacity of *The Fund* to continue paying the designated percentage of benefits.

Year	**Assets held** ($ billions)	**Liabilities set against assets** ($ billions)	**% of benefits paid annually**
2003	1.06	1.13	18.9
2004*	1.20	1.24	18.9
2005	1.32	1.38	17.0
2006	1.27	1.51	17.0
2007*	1.74	1.31	17.0
2008	1.48	1.67	20.4
2009	1.14	1.71	20.4
2010*	1.19	1.73	20.4
2011	1.24	1.21	14.0

In 2004: *The Fund* was paying 18.9% of benefits and its assets ($1.20 billion) were a bit less than its liabilities ($1.24 billion). The Actuary recommended that the percentage of benefits paid over the next three years be reduced to 17.0.

In 2007: after paying 17.0% of benefits for three years, and very good investment returns, assets of *The Fund* were $1.74 billion and considerably more than its liabilities of $1.31 billion. The actuary recommended that *The Fund* pay 20.4% of benefits over the next three years.

In 2008-2009: while *The Fund* was paying 20.4% of benefits the GFC hit and in each of these years investment returns were about –11%.

In 2010: the investment return in this year was +12% but the negative returns of 2008/9 and the relatively high percentage of benefits being paid (20.4%) had reversed the position from that of 2007. Assets of *The Fund* were $1.19 billion and its liabilities much greater at $1.73 billion. The actuary recommended that the percentage of benefits paid by *The Fund* be reduced from 20.4% to 14%.

As the percentage of benefits being paid from *The Fund* goes up and down there is no effect on pension values. When the percentage of the pension being paid from member contributions held in *The Fund* is reduced the percentage being paid from employer sources is increased and vice versa. This maintains pension values and is an essential characteristic of a genuine defined benefit scheme. Employers cannot expect pensions to be reduced when investment returns are bad and pension recipients cannot expect increases when investment returns are good. *RH*

Electricity Industry Super Scheme

Late last year there was an 'interesting' development with pensions of the *Electricity Industry Superannuation Scheme* (EISS). The Association received, from the *Department of Treasury and Finance* (DTF), a draft Bill involving a number of different superannuation matters. One of these matters was a proposal that EISS taxed-source pensions be transferred to the *Super SA* Board.

The Association has written to the State Treasurer, Hon Jack Snelling MP, to advise him that it is opposed to this transfer on the grounds that the EISS taxed-source pensions are invalidly calculated. If they become the responsibility of Super SA this would be a precedent for pensions of the Association's members to be treated the same way in the event of the State Pension Scheme being converted to a taxed-source.

The possibility of Super SA pensions being converted to taxed-source pensions has been under consideration inside the Department of Treasury and Finance, and the Super SA office, for many years. The Association's long-standing policy on this matter is that:

a) the move to the taxed-source pension must be voluntary for every member, and
b) the reductions made to the pensions of people who agree to accept a taxed-source pension should go no further than to avoid an increase in the Government's tax costs arising from the change.

EISS taxed-source pensions: EISS is the superannuation scheme that replaced the *Electricity Trust of South Australia* (ETSA) scheme in the course of ETSA being corporatised and then sold. The EISS/ETSA schemes paid untaxed-source pensions very similar to the State Scheme Pensions paid by *Super SA*. This continued until late in 2002 by which time the EISS/ETSA pensions that had already commenced had been transferred to *Super SA* with the people receiving them becoming members of the State Scheme.

Beginning in late 2002, and for several years after, EISS pensions were paid only as smaller taxed-source pensions. Today, EISS members have the choice between the two types of pension and so part a) of the Association's policy is being observed by EISS. But it is still the case that if an EISS pension recipient elects to accept a taxed-source pension it will be reduced from its amount as an untaxed-source pension by more than the tax cost of its conversion. The Association believes that this is unlawful because it delivers a savings to employers when the relevant legislation (*Electricity Corporations Act 1994*) only allows for pension reductions that avoid or reduce an increase in employer costs.

How should taxed-source pensions be calculated? The following formula has been endorsed by several authoritative sources as a formula for determining pension reductions that will be sufficient to avoid an increase in employer costs when a pension scheme changes from being an untaxed source to being a taxed source.

T = U x (1- 0.15A/B x P)
Where:
T = gross value of the taxed-source pension;
U = gross value of the untaxed-source pension;
A = the member's post 30 June 1988 service;
B = the member's total service;
P = the proportion of the pension financed by the employer

The 0.15 appearing in this formula is the 15% tax rate that has applied to employer contributions since 1 July 1988 and this is applied to the employer-funded proportion of the pension accruing after 1 July 1988 (A/B x P). Table 1 displays the pension reductions resulting when the formula is applied to pensions that commenced between 1987 and 2011 where the pension recipient has completed 35 years service.

The reductions needed to cover employer tax costs when a pension fund changes from being an untaxed-source to being a taxed source are the same no matter what the value of a pension is. This is because the taxes payable are at the single rate of 15%.

Table 1

Year pension commenced	% reduction needed to meet employer costs
1987	0
1996	2
2001	4
2006	6
2011	8

What does the EISS method involve? It uses selected personal income tax parameters and pays a taxed-source pension such that the pension recipient has the same notional after-tax income as before the conversion. **The actual tax costs to the employer are ignored!** The after-tax value that the EISS method uses for the untaxed-source pension is notional because the method also ignores the tax offsets that are available to a person receiving an untaxed-source pension.

If the EISS method was used to convert Super SA pensions to taxed-source pensions the effects would be as illustrated in Table 2. The figures are for single people aged 60 and it has been assumed that there is a tax-free amount for the Super SA pension that is 5% of its gross amount.

Table 2

Current Super SA pension (gross)	**$30,000**	**$45,000**	**$60,000**
Current Super SA pension (after tax)	$30,000	$43,890	$54,615
Gross pension after reduction by the EISS method	$26,291	$38,078	$49,767
% Reduction	**12.4**	**15.4**	**17.1**

Notice that in Table 2 the reductions resulting from use of the EISS method are all larger than any reduction in Table 1, and the reductions increase as pension value increases.

Clearly the EISS method reduces pensions by more than the amount needed to avoid employer cost increases. In this way it delivers savings to employers that should be passed to EISS members as they are to members of other pension schemes in similar circumstances.

The EISS method causes greater reductions for larger pensions because it uses personal income tax rates which increase as income increases

Another thing to notice is that the after-tax values of all three current *Super SA* pensions shown in Table 2 are substantially greater than the gross values of the corresponding taxed-source pensions determined by the EISS method. Even though the taxed-source pensions are tax-free after age 60 they provide less net income than the untaxed source pensions. This is because the EISS method ignores tax offsets (e.g. the 10% tax offset) that a person receiving a current *Super SA* pension can claim.

The current Treasurer, Hon Jack Snelling MP, has assured us that the Government does not intend to alter the tax status of the pension scheme. We accept this but keep in mind that EISS is only able to apply its method because the previous Treasurer authorised it to do so. While EISS taxed-source pensions continue to be calculated as they are the Association must be ready to contest any attempt to do the same with *Super SA* pensions.

It is also important to make clear the Association is not trying to keep EISS members out of *Super SA*. Members of the Executive Committee feel solidarity with EISS pension division members and want to see them get a taxed-source pension option that has been fairly calculated. *RH*

A volunteer says . . .

Was it over twenty five years ago that I trained as a home tutor in Murray Bridge? I was working with a refugee resettlement group when I attended a talk about home tutoring given by the English Language Service. This grabbed my attention and I was formally trained when I came back to Adelaide. The training course lasted for eight weeks, with a two hour session per week in the Renaissance Centre in Rundle Mall.

Home tutors help adults who don't have English as their first language. The tutor is matched with a student and tutors in the student's home at a mutually convenient time. The tutor assesses the student's needs **but,** and this is important, does **not** dictate what a student has to learn. I had one student who was working as a sheet metal worker and he wanted to know the technical terms used in his employment as well as common idioms so he could converse with workmates. For newly arrived settlers, acceptance by work colleagues is vital. The library in the Renaissance Centre (Rundle Mall) had all the books I needed.

Now I work as a volunteer in the TAFE SA English Language Service located in the Renaissance Centre. This service helps people with English language skills and offers counselling, money management and settlement skills. *Continued page 8*

Fees And Their Payment

Current Fees: Annual = $15. Member for Life: under 60 = $270, age 60-65 =$220, 65-70 = $160, over 70 =$130.

Receipts: *These will be sent for Life Membership Fees but members requiring a receipt for an Annual Fee must enclose a stamped self-addressed envelope.*

a) 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

b) 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 your payment.

Our Bank is **Bank SA** and other details are:

BSB 105-900
Account number: 950313840
Account name: SA Superannuants

c) 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.

d) 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.

On the next page a form is provided that allows new members to join, and existing members to renew their annual membership or convert it to a membership for life or notify a change of address.

Membership Applications/Renewals

Existing Members: your financial status, name and address is currently recorded as:
«Title» «Surname» «Paid_to» «Date»
«Address_1st_line»
«Address_2nd_line»
«Address_3rd_line»

Indicate errors, or changes to details, below.
……………………………………………
……………………………………………
…………………………………………….
Payment enclosed:
a) Amount of Payment: ______________
b) Purpose of Payment(tick one box):
€ Renewal of annual membership
€ Change to life membership
Date of birth ______ (life membership only)
Telephone**…………….**
Signature…………………..Date………

New Members
Title………..First Name………………………..
Surname……………………………Tel….……
Postal address ………………………………….
…………………………………………………
…………………………………………………
Date of Birth……… **(life applications only)**
a) Amount of Payment: ______________
b) Purpose of Payment(tick one box):
€ Annual membership
€ Life membership
Signature ……………………...Date……….

A volunteer says . . . *Continued from page 7*

I work with the teacher helping the new arrivals with class work. What rewarding fun! I have been helping an Afghani IT expert who loves food and cooking as I do. We have great conversations centred on food.

What are the rewards? Volunteers get an afternoon tea during Volunteer Week but the real rewards are passing on knowledge of Australia and its customs, seeing attitudes change from confusion to smiling friendship, repartee with the students who may be highly skilled but with qualifications obtained in their own countries that are not recognized here - very frustrating as they end up doing quite menial tasks. They may be suffering significant trauma from what they have experienced in their country.

If this interests you, contact the English Language Service on 8226 6866. There are sessions for training in other suburbs such as Noarlunga and Salisbury at the TAFE Colleges. *John*

New members of the Association

Dr W J Russell; Dr I Buttfield; Ms L Ebert; Mr R Orchard; Mr R Kimber; Mrs M Herendi; Mrs W Dobner; Mr K Scheer; Dr R Butler; Mr C Richards; Miss J Wilson; Mrs J Hocking; Mrs J Sinclair; Mrs A Voyzey; Lyne George; Mrs J Dwyer; Mrs S C Haupt; Mrs K A Crowe; Mr R Hoare; Mr B Samuels; Mrs M White, Mrs S Dennison; Mr John Miller; Mr Ron Pascoe; Mr Ronald Slack; Mr Jeff Lehmann; Mrs Elizabeth French; Mrs Sarah McKillop, Mr Jeffrey Davis; Mr B Blight; Mr M Martin

Current membership:
Life 995; Annual 562; Total 1557

«Title» «Surname»
«Address_1st_line»
«Address_2nd_line»
«Address_3rd_line»