Issue No. 37 *Website: www.sasuperannuants.org.au* **May/June 2013**

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

Superannuants of all shapes and sizes must be wondering what the future holds for them. Neither the Government nor the Coalition is showing any interest in addressing issues that are priorities with us. This is not likely to change in the present budgetary environment.

However, there are two areas which do directly affect us all and they are health and aged care. The Government and the Coalition do seem to have differing views on these matters. Health has an insatiable appetite for funds and already has a large budget. If it was to move towards demand funding then it would be much larger. It will be very tempting for governments to scale back spending or to increase charges, e.g. ask patients to make a larger contribution to GPs' fees. Aged care, either through care packages assisting people to stay in their own home or through places in residential care, will require more resources every year. These additional aged care resources will come either from a greater taxpayer contribution or through increased charges on affected people. Probably both.

We need to question our MPs to try and pin down which directions will be taken either by the Government or the Coalition. Minister Butler's proposals presented to us at our April general meeting seem to be a step in the right direction, but will the relevant legislation and, therefore funding, be passed before the election?

Our major goal of a more realistic indexation process remains, but seems unlikely to occur in the short to medium term. In the meantime these other issues – health, aged care, how our superannuation is taxed and the Commonwealth Seniors Health Card - may be ones that we can influence at the ballot box. *Peter Fleming*

Speaker Program for General Meetings:

June -September, 2013

(Speakers and topics subject to change without notice)

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

June 24: Michelle Prak, Social Media Consultant, "Social Media: what's it all about?"
July 29: Tony Smit, Deputy Valuer-General, "What's your house worth? The role of the State Valuation Office".
August 26: Sarah Bolus – SA Water Public Relations, "*Wastewater is everybody's business*".
September 30: Dr. Suzanne Miller – Director SA Museum, "*Museums most marvelous – SA Museum, today and tomorrow*".

In This Issue of *The Superannuant*

Annual General Meeting

The following people were elected to the Executive Committee.

2013 Executive Committee

President: Peter Fleming
Vice-President: Clive Brooks
Secretary: Vic Potticary
Assistant Secretary: Christine Venning
Treasurer: Michael Evans
Membership: Max Jahn
Speaker Coordinator: Vacant
Committee Members: Arnulf Anders,
Ray Hickman, Ian Beckingham, Mike Wohltman,
two vacancies
Observer: Eileen Pritchard

Female committee members wanted!

Christine Venning is the only female member of the Executive Committee and a good job she is doing too.

But we need additional women on the Committee. The constitution requires that the Committee include at least two women and two men.

Committee membership is open to all members, including partner members. **Superannuation knowledge is not required.**

A significant part of the effort needed to keep the Association operating involves general skills and experience. For example, any well-organised person could step into the role of speaker co-ordinator or preparation of *The Superannuant* for printing.

Please give some thought to joining the Committee and, if you have a partner who is interested, remember that partner membership is only $5 p.a.

Association Finances: the audited financial statement is presented on page 3. At the AGM Treasurer Michael Evans drew attention to the fact that we now have a large majority of members who have paid for life.

This explains why we have about $120,000 invested in bank term deposits and Argo shares. In the years ahead we have to expect our investments to run down in value from their present level and this will be watched by the Committee to ensure that the Association retains a capacity to adequately represent members and protect their interests.

Ray Hickman

From your membership officer

The time has come again when I have to say to members who are paid up to 2012,

**"This is your last newsletter
unless I receive your renewal before July 31".**

Sadly, we lose about 50 members each year because they allow their membership to lapse, and this concerns the committee greatly, as we need a strong and large membership to be forceful in negotiations. If you are financial only "'til 31/12/2012", please get your renewals in promptly.

The present number of members at risk of becoming unfinancial is 135.

Please note: your financial status shown in this newsletter is as my records indicated at May 1 2013. If you renewed just before this date the change may not have been made yet. Where payments are made by bank transfer notice of them may not reach me for several weeks after the transfer has been made. Don't worry about this as the payment will be recorded on the membership list before the next issue of *The Superannuant* is due.

Total membership: 1621
(includes the following categories)
Life members: 1002
Annual members: 542
Partner members: 77
New members: Mr K Wicks
Annual-life members: Mr K Heinrich, Mrs K Barclay, Mr R White, Mr D Callen, Mr S Hagley, Mr R Hall, Mr B Adams, Mr R Hansen, Mr R Lozowy, Mr G Herrmann, Mr C Earn, Dr U. Rozenbilds,
Deaths: Mr G Grachanin , Mrs Mary White, Mr Raymond Baronian, Mrs RJ Ridyard, Mrs JM Burchell, Ms MT Beasley, Mr G Thomas, Mr DP Shaw transferred to Mrs JM Shaw, Mr AG Anderson to Mrs JA Anderson, Mr R Coggins, Mr R Strudwick to Mrs V Strudwick.

Our partner membership is building up encouragingly, and we thank full members for urging their partners to join.

New partner members: Mrs L Bartholomaeus, Mrs P Mason, Mrs R McCulloch, Mrs S Hartley, Mrs E Hooper, Mrs S Cooper, Mr J Provis, Ms S Brunner, Mrs M Hayward, Mrs R Summerton, Mrs C Standley, Mrs E Rogers, Mrs L Gangell, Mrs M Treloar, Mrs S Jeffries, Mrs M A Guidera.

Max Jahn

Audited Financial Statement for year ending 31/12/2012

		2010	2011	2012
	Balance brought forward	**8290.28**	**6816.29**	**6505.24**
Income	Subscriptions	14925.00	16984.20	12757.00
	Raffle Proceeds (net)	47.30	110.45	85.00
	Honorarium Returned			60.00
	Donations	135.00		0.00
	Sundries	7.80	325.39	0.00
	Bank Interest	56.87	103.21	83.52
	Interest on Investments	4470.45	5677.79	5420.28
	Investments Redeemed	0.00	59683.91	89930.24
	Income Total	**$19642.42**	**$82884.95**	**$108336.04**
Expenditure	Hall Hire	1116.55	1043.66	930.26
	Newsletters (Print/Post)	6217.70	5622.67	4628.11
	Photocopies/Stationery	976.89	870.19	1992.41
	Executive Expenses	2283.42	3447.58	3423.04
	Fees	776.00	986.00	1272.50
	Taxation	3543.60	985.00	985.00
	Insurance	742.00	741.00	576.00
	Sundries/Donations/Web	989.80	4138.20	1222.50
	Interest Reinvested	4470.45	5677.79	5420.28
	New or Re- Investments	0.00	59683.91	89930.24
	Expenditure Total	**$21116.41**	**$83196.00**	**$110380.34**
	Cashbook Balance C/F	**$6816.29**	**$6505.24**	**$4460.94**

All monies received during the year were banked, and all accounts paid were passed for payment at the respective committee meeting during the year.

Investment Accounts

Investment Account	Value 2010	Value 2011	Value 2012	Maturity Date
CommInvest Term Deposit	23588.28			03/07/2012
CommInvest Term Deposit		24862.05		03/07/2012
CommInvest Term Deposit			26208.28	03/07/2015
Argo Shares (3030)	19149.60			Value at 31/12/10
Argo Shares (3172)		16050.32		Value at 31/12/11
Argo Shares (3329)			20473.35	Value at 31/12/12
BankSA Term Deposit	29692.78			30/06/2011
BankSA Term Deposit		31474.35		30/06/2012
BankSA Term Deposit			33383.77	30/06/2013
CBA Term Deposit	29991.13	-		14/06/2010
CBA Term Deposit	-	31817.59		14/02/2012
CBA Term Deposit	-		34423.65	14/01/2013
TOTALS	**$102421.79**	**$104204.31**	**$114489.05**	
Cash on Hand	0.00	0.00	0.00	
Cash in Cashbook	6816.29	6505.24	4460.94	
Sub Totals	6816.29	6505.24	4460.94	
OVERALL TOTALS	**$109238.08**	**$110709.55**	**$118949.99**	

Writing to MPs

This copy of *The Superannuant* has enclosed with it a simple 'letter' that the Executive Committee hopes you will use to contact your local member of the House of Representatives or one of the South Australian Senators in the run-up to September's Federal election. The 'letter' deals with indexation of Commonwealth superannuation pensions similar to those we are paid by *Super SA*.

You could use the letter in two different ways:

1. Just add the name and address of the person you are sending it to, provide your own name and address, and post the letter.

2. Use the letter as a starting point for a letter you compose yourself.

The Association has written a much more detailed letter on indexation to all members of the House of Representatives and Senators elected from South Australia. This is posted on the Association website and it might be useful if you decide to write a letter as suggested in 2. above.

A detailed letter on *Commonwealth Seniors Health Card* eligibility has also been sent to all members and senators of the Federal Parliament elected from South Australia. If you are affected by this issue, and feel moved to write to your local member or a senator, the Association letter is also available on the website as a possible source of ideas. *RH*

Bereavement booklet available

The *Superannuated Commonwealth Officers Association* (SCOA) has produced a booklet entitled 'Planning for and coping with bereavement'.
It contains some material that is specific for members of the Commonwealth pension schemes but most of the booklet deals with aspects of bereavement that are common to everyone.

The Association has purchased a number of these booklets and prepared an insert that adapts the part of it dealing specifically with Commonwealth pensions to Super SA pensions. The booklets can be obtained either by purchase at one of the monthly meetings or through the post. The cost is:

- $8 when purchased at a meeting
- $10 when purchased through the post

For purchase through the post send $10 to the Treasurer, Michael Evans, at the following address:
Dr Michael Evans
Treasurer, S.A. Superannuants
40 Esplanade, Pt Willunga SA 5173

Payment can be made by posting a cheque or postal note to Michael. You can also make the payment by bank transfer to the Association's bank account using the details given on page 7 of this newsletter. If you make a payment by bank transfer you should still contact Michael to confirm your postal address. He can be contacted by e-mail at mmeevans@picknowl.com.au.

Getting *The Superannuant* via e-mail

This is a reminder to members of the fact that *The Superannuant* can be obtained via an e-mail. The arrangement works as follows:

1. If you wish to get *The Superannuant* this way you should go the Association website at www.sasuperannuants.org.au and provide the necessary details. Alternatively you can advise the Membership Officer, Max Jahn that you wish to get your newsletter this way.

2. Once you are on the list of e-mail recipients you will get an e-mail advising you when each newsletter is available. The e-mail will include links which, when you click on them will result in a copy of the newsletter being downloaded to your computer. Once it arrives you can save it on your computer and read it when you wish to.

The e-mail that advises you of the availability of the newsletter will also advise you of your financial status and that of your partner (if applicable). Getting the newsletter via e-mail is voluntary. *RH*

Proposed superannuation tax reforms

On April 5th the Government announced its intentions for taxation reform of the superannuation system. Normally such an announcement would have been made on Budget night, May 14th. But this year there was an unprecedented level of scaremongering in the media over changes that the Federal Government was contemplating.

This activity reached its height with claims being made that the Government intended to confiscate part of superannuation account balances that had already accumulated. Comparisons were made with proposals being considered by the government of Cypress to confiscate part of the bank balances of Cypriot citizens to meet a condition of receiving a financial bailout from other Eurozone countries. For its part the Government contributed to the confusion by talking about people with $2 million in superannuation as being 'fabulously wealthy'. Such people could be reasonably described as 'well off' and even 'very well off' but not 'fabulously wealthy'.

While the Government was under this assault the Opposition's policy of cancelling a tax rebate of up to $500 for superannuation contributions made by people earning less than $37,000 p.a. attracted no attention at all.

The April 5th announcement has revealed the Government's intentions to be quite modest compared to the draconian measures that were being canvassed in the media prior to the announcement.

The new measures, if implemented, will see some additional tax being collected from people receiving account-based pensions derived from superannuation account balances above $1-2 million. Defined benefit pension recipients with relatively large pensions will also be affected (see discussion below). Collection of this additional tax will commence on 1 July 2015 with people who have started their pensions before that date not being affected unless they subsequently change their pension arrangements.

Some details of the major components of the package announced on April 5th are as follows:

Tax on concessionally taxed contributions: this will not change under the Government's proposals. The tax rate for concessionally taxed contributions for people with incomes up to $300,000 p.a. will be 15% and for higher incomes will be 30% on the amount of contributions that takes income over $300,000 p.a. For example, if a person has taxable income of $310,000 p.a. and makes concessional contributions of $25,000 he/she pays 15% on $15,000 of the contribution and 30% on the remaining $10,000. If total income was $325,000 p.a. then 30% tax would be payable on the entire $25,000 contribution.

Tax on earnings: a change is proposed here. Currently, investment earnings of assets held in a superannuation fund to back a pension that has commenced are tax-free. This has always been the case but it is now proposed that where assets backing a pension earn more than $100,000 p.a. the excess amount will be taxed at 15%.

The example given of people who will be affected by this measure is of someone drawing a pension from an account with a balance over $2 million. The example assumes an investment return of 5% p.a. If the account balance was $2.5 million, 5% p.a. generates earnings of $125,000 p.a. and the tax paid will be 15% of $25,000 i.e. $3,750 (effective tax rate on $125,000 of earnings is 3%). If the earning rate was actually 10% p.a. this would give earnings of $250,000 p.a. and tax payable would be 15% of $150,000 i.e. $22,500 (effective tax rate on $250,000 of earnings is 9%).

The tax will be paid by the superannuation fund and, in this way, the Government is hoping that it will be able to deflect accusations that it has broken a promise not to tax taxed-source superannuation pensions held by people aged over 60 years.

Note: for both earning rates the person with the account based pension of $250,000 will still be eligible for the *Commonwealth Seniors Health Card.*

Defined benefit pensions: there is no account balance for a defined benefit pension but the changed tax on earnings is intended to be felt by defined benefit pension recipients as well as by people with account-based pensions. This will (in theory) happen as follows:

1. An actuary will assign a lump sum value to each defined benefit pension. This will be calculated taking account of:
   a) the pension value; and
   b) age of the recipient; and
   c) estimated long term earning rate on superannuation assets; and, possibly,
   d) other less important factors
2. The lump sum obtained in 1. will be treated as if the pension was being paid from an account holding that amount.

However, the fund paying the defined benefit pension will not be able to pay the tax without either reducing the pension or increasing employer costs. Presumably defined benefit pension recipients will be required to pay the tax personally.

An example of how the earnings tax would affect a large parliamentary defined benefit pension was given in *The Advertiser* on April 6th. The example was contained in an article with the title 'Tax blow will be lower for MPs'. The parliamentary pension used for the example was $250,000 p.a. as if this is a typical pension for an MP. To qualify for a pension this large an MP would have to have been at least a senior minister or the equivalent.

The earnings assigned to the parliamentary pension of $250,000 were $187,500 p.a. which would require the retired MP to pay an additional 15% of $87,500 ($13,125) in tax. From these figures one can estimate that recipients of untaxed-source defined benefit pensions, including *Super SA* pensions, will be affected by the proposed arrangements if they commence the pension after 1 July 2015 and its value is above about $130,000 p.a. The vast majority of *Super SA* pensions are less than half this amount.

The Advertiser article implied that a person drawing an account-based pension of $250,000 p.a. would be required to pay 15% of $150,000 ($22,500) in tax. This is only true if the earnings on the account are $250,000. If the earnings are $150,000 then 15% of $50,000 ($7500) will be payable as tax even though the pension is $250,000 p.a. This is a complex matter but in the writer's opinion large defined benefit pensions, including those paid to parliamentarians, will incur a larger additional tax liability for their recipients than pensions of the same amount being drawn from accounts.

Caps on concessional contributions: these are to be increased from $25,000 p.a. to $35,000 p.a. for people of prescribed ages and the current limit of $500,000 on the account balance for people able to make the increased contributions will be abolished.

Means testing of superannuation: a change is proposed for the income test on account-based pensions (allocated pensions). This will make a difference to people with account balances close to the asset test threshold which is currently $273,000 for a home-owning couple and $192,000 for a single homeowner. The change will apply only to allocated pensions commencing after 1 January 2015.

Consider a couple with a superannuation account balance of $250,000 from which a $15,000 p.a. pension is being drawn. Currently this couple would probably qualify for the full age pension of $31,688 p.a. even though their allocated pension income of $15,000 p.a. is well above the income threshold of $6,968 p.a. beyond which age pension entitlement begins to decrease.

The reason is that the amount of an allocated pension counted in the income test is the actual amount reduced by an amount equal to the account balance divided by the life expectancy of the pension recipient at the time the pension commences. A typical life expectancy value would be 25 years and this gives an amount of $250,000/25 = $10,000 which is subtracted from the $15,000 p.a. pension to give an amount counted in the income test of $5,000. This is less than the income threshold and so the couple has assessable income below the income threshold and an account balance below the assets threshold. This entitles them to a full age pension.

The Government proposal is that, for allocated pensions commencing after 1 January 2015, the account balance will be deemed and under current deeming rates $250,000 produces a deemed income of $8866 p.a. This is about $1900 above the current income threshold and would reduce age pension entitlement by about $950 p.a.

Another example of people affected would be a Super SA couple with an account-based pension as well as a Super SA pension. Under current arrangements a couple with (say) $100,000 in their superannuation account drawing a pension of $4,000 p.a. would have little or none of this being counted as income, but under the proposed arrangements, and current deeming rates, the income counted would be $2,860 p.a. This additional income being counted will reduce the couple's age pension entitlement by $1,430 p.a.

RH

Speaker's Corner

At the April meeting Alan Quire, the Assistant State Manager – Health and Ageing in Adelaide, gave a comprehensive overview of the changes about to affect so many Australians.

The Productivity Commission has recognised that older people want to stay in their homes and want to choose what care they receive and how it is delivered. It has developed a single access point into the aged care system called *The Gateway*. Sounds good, doesn't it?

A person wishing to remain in their own home will deal with a provider who will arrange the various services. The Extended Aged Care at Home (EACH) package will list the essential components that allow the person to stay at home rather than in an aged care facility - the basic minimum can't be altered. There will also be some form of discretionary allowance e.g. an example given by Alan was if the person wanted a shower at a specific time perhaps 7a.m. rather than 11a.m. then the cost to the individual will be more. It will be a case of supply and demand. Every EACH package is planned for the individual and coordinated. The person has to make choices about how their package is divided up. There will be the opportunity for part of the money to be saved to buy perhaps a piece of equipment that is not covered in the essential components section.

A worry to members present was the quality of service from the provider – whoever that may be. Alan said that people will soon know which providers give value for money. Social media, I suspect, will see to that.

A major hiccup in all these situations has been the game of Federal v State. The State Government is withdrawing services for the over 65's so the Commonwealth has developed Home and Community Care (HACC) services for this age group. This type of boundary issue has created dilemmas but these have surfaced in all areas of Australian life, not just in aged care.

Alan was eager to point out these issues can be resolved and gave the Transition Care program as a prime example. This program is relatively small but is helping many. It is jointly funded by the State and Federal governments and enables people to return home from hospital instead of being placed in a nursing home. The program is a great example of collaboration.

Since July 2013 there have been new home care packages introduced. Alan remarked they have been imaginatively named levels 1 to 4. Of particular interest are levels 3 and 4 which deal with extended aged care at home (EACH). Level 4 caters specifically for people with dementia (EACHD).

The final point Alan made in answering members' questions was **Do your homework.** *There is no shopfront to visit – telephone or use the internet.* ***The Gateway*** *is intended to provide all the information necessary.*
P.S. For information on Aged Care, ring 1800 200 422 or visit www.agedcareaustralia.gov.au

Christine Venning

Fees And Their Payment

Current Fees: Annual: Full member = $15, Partner member = $5
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
Email: pmjahn@bigpond.com

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 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 and the financial status of your partner (if applicable) is currently recorded as:

Please indicate errors or changes:
……………………………………………..……
…………………………………………………
…………………………………………………

New Members: **Title**: …… **Gender**: ……....

First Name: ………………..…

Last Name: ……………..……

Postal Address: ……………….………………
…………………………………………….

All New & Renewing Members:
Payment Amount: $………………
Purpose of payment (tick relevant box)
- [ ] Renew annual membership ($15 /annum)
- [ ] Life membership (see scale page 7)
- [ ] Change annual to life (see scale page 7)
- [ ] Partner membership ($5 /annum)

Year of birth: …......... (life membership)
Telephone:
Home: ………….…… **Mobile:** …..……………
Email: …………………………………….
Signature: ………………..… **Date**: …………

VALE TOM WOOD

Tom Wood, a long-standing life member passed away on January 3 this year. Daughter Ann with husband Barry are rarely absent from our General Meetings. Nona, his partner for 67 years, survives him at Aldersgate Aged Care.

Tom was a firm believer in people combining together to improve their living standards. In retirement he was an active member of COTA's then more militant Council of Pensioners and Retired Persons Associations. When I first met Tom he was secretary of RUMA (Retired Union Members Association) now incorporated into SA Unions.

Tom hated war and its glorification, and a few years elapsed before I learnt he had completed a tour in Halifax bombers over occupied Europe. After 30 missions pilots were usually grounded but Tom managed to survive 32! He flew with the Royal Canadian Air Force squadrons based in Yorkshire during WWII. I'll miss him.

Vic Potticary