Issue 51 March 2018

THE SUPERANNUANT

Newsletter of the South Australian Government Superannuated Employees Association Inc.
Trading as SA Superannuants Established 1927 www.sasuperannuants.org.au

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From the President

I came across an article concerning the future of nursing staff. The academic researcher/author noted that NSW is facing a major shortfall in available nursing staff. By 2030 the state will need 82,000 Nurses but only 74,000 are likely to be available - a gap of 8,000. This data is based on the number of projected available Nurse training places and the number of overseas trained nurses allowed employment here. Demand for Enrolled Nurses (ENs) will also far exceed supply. Currently there are 9,000 full time ENs in NSW; however, this number will fall to 7,500 by 2030 while demand will increase to 13,000 - a gap of 5,500. The same researcher believes that this is an Australia-wide problem.

Working conditions, reductions in immigration quotas and the recently introduced higher level English language requirements for overseas-born ENs will be some of the factors causing this problem. It is well known that these new English language requirements would stump most Australian-born citizens. Many Australians born overseas, who have obtained their academic qualifications here, fail the test or do not bother to sit it knowing that they will fail. ENs and carers are vital to the staffing needs of residential aged care facilities.

Most of us in recent years have had a spell in hospital or visited someone in a hospital or aged care facility, and we would have noted the high proportion of nursing and carer staff from an Asian, East Asian or African background. The recent emphasis on "security" by Commonwealth Governments is understandable, but in this area of nursing and caring we must be careful not to be too zealous and find that it has a negative impact on the staffing of our institutions. An ageing population is an undisputed fact as is the very high proportion of the aged occupying hospital beds. Food for thought.

Finally, on another note: a very warm welcome to the new CEO of Super SA, Dascia Bennett. Dascia was the guest speaker at our AGM.

Peter Fleming

Lateness of this issue: normally this first issue of *The Superannuant* for the year would reach you well before the end of February and before the Annual General Meeting. There was a difficulty this year which has made it late. The Committee takes full responsibility for this and is working to put in place arrangements to ensure it does not happen again. A related matter is the difficulty being experienced in getting, and maintaining, a full Committee. All this is discussed in the item ‘Wither the Association?’ on page 7.

Issue 51 of *The Superannuant*

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.*

Speaker Program for General Meetings March-May 2018

Meetings commence at 1.00 p.m. at the Pilgrim Centre, rear of 12 Flinders Street, Adelaide

Speakers and topics subject to change without notice.

March 26: Dr Matthew Baldock, Senior Research Fellow and Deputy Director, Centre for Automotive Safety Research '*Research into older road users'*.

April 30: Sandy Johns, Amnesty international. *'The organisation and current activities'.*

May 28: Rae Campbell, Adelaide and Koala Wildlife Hospital. *'The future of koalas in South Australia'.*

CPI Change: The Adelaide Consumer Price Index increase for July 2017– December 2018, was **1.83%** and this same adjustment will be made to Super SA pensions from April, 2018.

Speaker's Corner

Our speaker at the last meeting of 2018 was Adjunct Professor Rhonda Sharp from UniSA. Now retired, just like us. Rhonda is a member of our Association and spoke highly of the material she had read in *The Superannuant.*

She spoke with authority about the evolution of superannuation policy and its gender implications. The earliest schemes were established by banks and some colonial governments. The Bank of NSW established a scheme in 1862. The Commonwealth scheme was launched in 1922. In 1909 there was introduction of the aged pension. The Commonwealth Government encouraged superannuation with its 1915 Income Tax Assessment Act.

The Commonwealth superannuation scheme established in 1922 set terms and conditions as a reward for long-serving higher income white collar (**male**) employees. Women were entitled to superannuation only as dependent spouses.
Trade unions fought for the broadening of the coverage to include blue collar workers. In 1914 there was the first national survey on superannuation. Women gained membership only if they were permanent employees. They lost their permanent status upon marriage until 1996.
The main way that women benefited was through their husbands who were scheme members.

In the Whitlam era, 1972-75, the aged pension was linked to 25% of average weekly earnings. The aged pension income test was abolished for the over 70s. The Fraser government of 1976-1983 rejected the Hancock enquiry recommendations but abolished the assets test on aged pension.

By 1982 membership of superannuation schemes was 54%. However, women's membership was a miserly 16%. The Howard/Costello era simplified superannuation. In the budget of 2006 superannuation benefits became tax-free if paid from a taxed superannuation fund to over 60s.

In 2007 superannuation assets reached $1.2 trillion or 110% of GDP. The Rudd/Gillard government of 2007-2013 commissioned a number of reviews. There was a proposed increase to 12% in the superannuation guarantee. The aged pension qualifying age was increased to 67. Now assets were $1.8 trillion (120% of GDP.)

2012 coverage was 89.9% of the workforce. The Abbott/Costello budget of 2014 cut back on superannuation. The current Turnbull/Morrison government lowered the threshold for paying 30% tax on concessional contributions.

70% of people are still in receipt of aged pension. On average women have half the superannuation balances of men. The higher income groups benefit more from superannuation tax concessions. Men's superannuation account balances exceed women's in each age group. In the age group 55-59 men have 50% higher balances than women.

Why do women have less?

- Different workforce pattens
- Gender pay gap
- Greater responsibility for unpaid care
- High child care costs
- No recognition for unpaid care work
- High effective marginal tax rates on secondary earners
- Historical discrimination
- Gender attitudes

Her talk was illustrated with appropriate slides making it easy for members to follow her very descriptive and enlightening information.

Christine Venning

From your membership officer

Annual membership fees become due on 1 January each year. At the time of writing this item 163 memberships were yet to be renewed. If you are one of these members you will read "OVERDUE" alongside your membership status on the back page of this newsletter, or in the e-mail you received letting you know that the newsletter was available via the website.

I realise that the cost of annual membership is not the problem and that annual members mostly omit to renew their memberships simply because it has to be done every year and they do not remember to do so until the first newsletter of the new year arrives. To help get annual renewals in earlier please consider one of these options:

- Pay for more than one year
- Move to membership for life

The annual membership fee is small for an individual but it is very important for maintaining the Association's sound financial position. Being mostly members of a scheme that was closed to new members in 1986 we face a difficult task keeping membership numbers up but have been quite successful in doing so. Being able to tell members of parliament, and the superannuation authorities, that we have 1500 financial members assists us in being taken notice of. I hope you, and all our other overdue members, will renew on receipt of this newsletter and give some thought to the options I have suggested above.

If you have a partner who is a beneficiary for your super I urge you to encourage him/her to become one of our partner members.

For information about this possibility, and about how to make any fee payment, read the page "Membership" on our website at www.sasuperannuants.org.au .The annual fee is $5 and a membership-for-life is $50, regardless of age. Partner members do not get their own copy of the newsletter but, in all other respects, have full membership rights.

Our policy on overdue memberships is to send out the first issue of *The Superannuant* for each year to everyone who was financial for the previous year. But that is the last issue that is sent until a person becomes financial.

So if you are an annual member who is "OVERDUE" and does not renew.

THIS WILL BE
YOUR LAST NEWSLETTER

Max Jahn

Taxpayers for life?

In the September 2017 issue of *The Superannuant* a member, aged 71 and married, reported that he was paying tax on his Super SA defined benefit pension of $30,922 when he was aware that people with much larger superannuation pensions pay no tax. Our member asked the question – will my wife and I be paying tax on our relatively small income no matter how long I live? The answer is yes unless tax arrangements change.

The reason for this is that Super SA defined benefit pensions are untaxed-source pensions which continue to be taxable income for the recipient's entire lifetime. The term untaxed-source refers to the fact that tax has never been paid by the pension fund on any of the contributions it has received or on its earnings.

Taxed-source defined benefit pensions are paid from funds that have paid tax on contributions and earnings. These taxes result in pensions being reduced to the extent needed to avoid increased employer costs. Where pension recipients had pre-1988 service most reductions were in the range 0-10%. To compensate pension recipients less tax is payable on the entire amount of taxed-source pensions once they commence.

Taxed-source pensions are allowed a 15% tax offset from age 55-59 years and after 60 no tax or medicare levy is payable on them. Super SA pensions are allowed a 10% tax offset after 60 but pensions remain taxable income and the medicare levy still applies. Put another way non-superannuation income of people in receipt of taxed-source pensions is assessed for taxation and the medicare levy as if it is the only income. Untaxed-source pensions have additional income added to the superannuation income and assessed at the marginal rate for the combined income.

When age pension enters the picture this can provide additional income for people with both types of pension. The figures in the tables on the next page indicate that, when there is eligibility for age pension, a Super SA pension of $31,000 p.a. delivers $252 ($53,160 – $52,908) p.a. **more net income** than a taxed-source pension that is 10% less in its gross value. But if the Super SA pension is $62,000 it delivers $5000 ($66,858-$61,858) p.a. **less than** the corresponding taxed-source pension of $55,800 p.a.

Super SA Pensions

Super Pension	$31,000	$62,000
Age Pension	$23,458	$7,958
Total Income	$54,458	$69,958
Tax & Medicare	$5,872	$14,310
Tax offsets	$4,574	$6210
Net Tax & Medicare	$1,298	$8,100
Net income	$53,160	$61,858

Taxed-source Pensions

Super Pension	$27,900	$55,800
Age Pension	$25,008	$11,058
Total income	$52,908	$66,858
Net income	$52,908	$66,858

The obvious way to significantly improve the position of a couple with a $62,000 Super SA pension would be to convert the pension to a taxed-source pension provided that this can be done by reducing the pension by 10% or less. But this would not help the couple with a $31,000 pension and, even for a couple with a $62,000 p.a. Super SA pension, it is a case of 'be careful what you wish for'.

The Association's policy on conversion of the pension scheme to a taxed-source scheme is that set out in the February 2006 issue of *The Superannuant*. The policy would allow the Association to cooperate on a change in taxation status only if these two requirements are met:

- change is voluntary for everyone
- pension reduction must not exceed tax cost

The first dot point aims to protect people with relatively small pensions. The second dot point reflects what the Association learned by getting to the bottom of the change in taxation status made to pensions of the *Electricity Industry Superannuation Scheme* (EISS) in 2002. This saw many EISS pensions reduced by 17% or more. The Association claims that these reductions exceeded the tax cost of the change (see the following item 'Missing actuarial reviews').

The Association is making representations to the Federal government for it to allow separate taxation of non-superannuation income after age 60 for everyone and not just recipients of taxed-source pensions. This puts no-one at risk and would improve net incomes for every Super SA pension recipient who is currently a taxpayer.

Ray Hickman

Missing actuarial reviews

In issue 49 (May/June 2017) of *The Superannuant* it was reported that the 2002, 2005 and 2008 actuarial reviews of the defined benefit schemes of the *Electricity Industry Superannuation Scheme* (EISS) have now been tabled in Parliament. This happened only because the Association obtained confirmation from the Office of the Clerk of the Assembly that the reviews had not been tabled when they should have been (up to 14 years ago). However, no explanation was provided for the long delay.

The Association's interest in the 'missing' reviews was to see if they contained information that would provide an answer to the question – when the state's electricity assets were privatized and EISS pensions reduced as the scheme became a taxed-source scheme, did the reductions go beyond meeting the tax cost to meet other costs that were the responsibility of employers to meet?

The review of most interest was the 2002 review because that was the year when EISS first paid tax, and the year when the benefit reductions to compensate for that tax were made. In the 2002 review now available it is stated on page 5 that:

> 'The reductions were structured to leave both employers and members in essentially the same net position.'

While the Government and the EISS trustee are satisfied that this was the case, the Association's assessment is that the benefit reductions **contravened legislation** and passed a financial advantage to employers that they were not entitled to receive.

The 2002 review reports an improvement in the financial condition of EISS from 30 June 2001 to 30 June 2002. The value of assets as a percentage of liabilities increased from 101% at 30 June 2001 to 106% at 30 June 2002. **This improvement occurred even though the investment return for this year was negative.** Referring to this fact the review says:

> "Two main factors have led to the change between 2001 and 2002:
> (a) Asset values have decreased as a result of severe falls in financial markets, while the defined benefit liabilities have continued to increase with salaries. This lowers the overall percentage of assets to benefits.

(b) This negative effect has been fully compensated by a positive effect relating to benefit reductions made on account of the Scheme becoming taxed. While overall these reductions are, in time, expected to be cost-neutral to the employers, they have reduced the immediate funding targets based on benefits accrued to date, for these benefits have reduced by more than the assets."

The dollar value of the compensation for the poor investment returns on assets held to fund pensions can be estimated using information from EISS annual reports for 2001 and 2002:

- at 30/6/2001, EISS had $80 million in assets backing its pension liabilities,
- the assumed investment return on the assets had been set at 7.2% p.a.
- the actual investment return on these assets in the 2001-2002 financial year was -7.7%
- actual investment return was 14.9% less than expected,
- 14.9% of $80 million = $11.9 million.

So, a common-sense conclusion from these numbers is that, far from the change in taxation status leaving the employers in the same net position as before, it appears to have provided them with a gain of $11.9 million. **If so, this was at the expense of members of the EISS pension division.** In the other states, where pension schemes became taxed-source schemes, the members obtained the advantage that, with EISS, has been passed to employers. The Association believes that this is **contrary** to the requirements of the *Electricity Corporations Act 1994* establishing EISS.

The Association is confident that EISS members were denied an advantage that the law intended they should receive. This view has been put forcefully to both the State Ombudsman and the Independent Commissioner against Corruption but with both authorities finding that we had not proved the case sufficiently for them to investigate further than we had done ourselves.

On the brighter side, the effort expended in getting to the bottom of what happened with EISS pensions will stand us in good stead if an attempt is made to do the same thing with state scheme pensions. This was always our main purpose in pursuing the matter and we remain alert to the possibility. *RH*

Superannuation Federation Report

Christine Venning and Ray Hickman attended the November, 2017 meeting. Christine held the proxy vote for Peter Fleming. Peter was an ap0logy for the meeting due to it having been brought forward from the original date due to the Federation President having to be in hospital on that date.

There were 8 delegates in attendance with 6 apologies. A big surprise was a letter from the Police Association advising that it was withdrawing from the Federation.

Motions from SA Superannuant on the following matters were carried.

- Costs for the Super SA Select Scheme
- Establishment of a governance sub-committee. Nominations for this sub-committee will be called for at the first meeting in 2018

John Montague, General Manager for Super SA, presented his report. Statements have been issued to all members. This has been a huge undertaking. Super SA is aiming for more transparency. The Board has been discussing fees and governance. It seems it is a very popular topic for all organisations.

Note: since the November meeting we have learned that John has resigned and a new General Manager, Dascia Bennett has been appointed. She was the guest speaker at our AGM. Now we will await the Super SA response to our concern about Super SA Select.

Funds SA was represented by Jo Townsend, Jane Dharma and Toby Keenan. They reported that global growth is reasonably strong and continues to improve. The US has been raising interest rates albeit slowly.

Returns on cash are low but there is no negativity. Funds SA is making no significant change to investment strategy.

Christine Venning, delegate

State election 2018

In November 2017 the Association sent a submission to members of the State Parliament which set out proposals for changes to South Australian superannuation arrangements. One of the proposals was for a surviving spouse to receive a payment, on the death of the contributor, equivalent to maintenance of the full pension for a prescribed period after the death.

Supporting argument: on the death of a pension scheme member, who has a legal or putative spouse, the survivor is entitled to a pension of two thirds the amount that was being paid to the deceased person. This represents a substantial decrease in income that can occur unexpectedly. In the cases of the age pension and Commonwealth superannuation pensions when one member of a couple dies the survivor receives a payment to ensure that, for a specified period, his/her income is maintained at the same value as the couple's income prior to the death. The specified period is about 14 weeks for both age pension and Commonwealth superannuation pensions. With Commonwealth superannuation pensions the maintenance of income is achieved by making a lump sum payment to the surviving spouse which is equal to the difference between the full pension and surviving spouse pension for the 14 week period.

There would be a cost for making a change like this and the Association's estimate of the cost across the entire pension scheme is approximately $1 million p.a. for each month that the payment covered.

Other proposals made were for members of the pension and lump sum schemes to make their personal contributions by salary sacrifice rather than from after-tax income.

There were also proposals about Super SA governance arrangements. The full text of our proposals, with all the supporting arguments, can be read on the 'Key Topics' page of the Association website. The proposals were sent to all but one or two members of the two houses of state parliament. We received responses from the following members.

Dr Duncan McFetridge (Independent,Morphett)
Thank you for your email outlining the issues you want political aspirants to address if elected at the coming State Election.

While I will never claim to be an expert in the area of superannuation, I have read your email and would be more than happy, if elected in March, to work with you on achieving some of your aims and outcomes which I think are very sensible.

The need to encourage South Australians to provide for their retirement through superannuation is something everybody would think is a good thing and, certainly, I hope that if elected I will be able to work with you, not only on the particular state concerns, but also the other commonwealth concerns which you have outlined.

Mark Parnell (Legislative Council, Greens)
Thank you for your email on behalf of SA Superannuants and detailed submission regarding changes to SA superannuation regulations. Your organisation has certainly been very diligent over many years in drawing attention to unfair elements of superannuation on behalf of your members.

In relation to Party Policy or even election initiatives, we don't generally put this level of fine detail into our documents, however we have always given serious consideration to your organisation's submissions when legislation is before the Parliament. As you know, where legislation is involved, you need the support of the government of the day for amendments to pass both house of Parliament. When it comes to delegated legislation, only the Government can introduce Regulations, however either House can disallow them.

The Greens' general approach to these matters is to support fairness in the treatment of superannuants and to oppose retrospective changes that unfairly devalue individual entitlements.

Dennis Hood (Australian Conservatives, Legislative Council)
The Hon Dennis Hood MLC would like to thank you for your email regarding the South Australian State Pension Scheme.

Mr Hood will be considering your proposals accordingly and upon his initial brief reading of your correspondence, is in general agreement with your position.

He certainly appreciates being kept informed of SA Superannuants views on this matter.

The Association encourages all its members to make approaches to their elected representatives in the State and Federal parliaments on superannuation and retirement income matters that are affecting them.

Wither the Association?

To the best of the writer's knowledge SA Superannuants is one of just two free-standing, and state-based, organisations representing the interests of defined benefit pension recipients that remains operating in Australia. The other is the well-regarded Tasmanian Association of State Superannuants.

Some years ago there was a third organisation operating in West Australia and this went out of existence even though it had hundreds of members and sufficient funds to keep running for years. What took it out of existence was a lack of people needed to keep it going.

The reality is that all organisations representing the interests of members of the defined benefit pension schemes, that closed to new members years ago, face challenges in remaining viable. The Tasmanian state pension scheme was not closed until 1999, 13 years after our pension scheme and the consequences of this are:

- The Tasmanian pension scheme has about the same total number of members as our scheme even though Tasmania has a much smaller population.
- It still has a relatively large number of members who are yet to retire and the average age of those who are retired is less than the average age of our members.

This year our Annual General Meeting took place without members having been given the usual notice in the form of this newsletter being delivered two weeks before the meeting.

There was a notice of the date for our 2018 AGM given near the bottom right hand corner of page 8 of the September 2017 issue. This stated 'Set your diary date for SA Superannuant's AGM February 26, 2018' So, technically, notice was given and it might be tempting to see the late arrival of this issue of *The Superannuant* as merely a hiccup of no great significance. **However, current members of the Committee are not so blind as to think this.**

Producing three issues of *The Superannuant* each year is just one of several major tasks to be done. The others are Membership Officer, Secretary, Treasurer and Guest Speaker Co-ordinator. Add to these the position of President at whose desk 'the buck stops'. *Cont p. 8*

Joining & Renewing

Fees And How to Pay

Current Fees:

Annual Member: $15, partner = $5.

Life Member: age under 60 = $270,

60-65 = $220, 66-70 = $160, over 70 = $130.

Partner Life Member = $50.

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

Email: pmjahn@bigpond.com

b) Bank transfers & 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 it to a life membership or notify a change of address.

Member Details & 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 ($15 p.a.)
- ☐ Life membership (see scale page 7)
- ☐ Change Annual to Life (see page 7)
- ☐ Partner annual membership ($5 p.a.)
- ☐ Partner life membership ($50)

Email address currently please

...................................@.....................................

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

Cont. from p. 7

For at least 10 years now there has been one or more people doing more than just one major task and this recent experience with *The Superannuant* is a warning that this is not sustainable.

At the AGM on 26 February the Committee positions filled were:
President: Peter Fleming
Vice-President: **vacancy**
Secretary: Christine Venning
Treasurer: Michael Evans
Membership officer: Max Jahn
Assistant Secretary: **vacancy**
Guest Speaker Coordinator: Ian beckingham
Newsletter Coordinator: Christine Venning
Committee members: Arnulf Anders, **5 vacancies**

This sees 7 out of 14 positions vacant and Christine Venning having responsibility for the Newsletter as well as being Secretary. It might be that 14 is more positions than needed but 7 certainly is not enough without some people doing more than is reasonable to expect.

Committee members are agreed there is no point persuading and cajoling people to come onto the Committee. Nor is any member under an obligation to serve in this way. *Capable people will have to willingly come forward because they believe that the continued existence of the Association is worth the effort.*

On the positive side, at the AGM, three members agreed to assist Christine by proof-reading the newsletter before it is sent to the printer. They will do this from their computers at home. In 2018 further consideration will be given to ways in which members can help get the Association's work done from their homes.

Something the Association can offer all those who serve on (and off) its Committee is the confidence that goes with it being a totally independent, incorporated body having sound finances. A copy of the Association's Financial Report is posted on the website. *RH*