Issue 58 **May 2020**

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

The time frame for COVID-19 is unknown as are the consequences both socially and economically. I have no doubt that our scientists will produce a vaccine, probably early next year. However, the severe disruption to our society may lead to permanent changes in the way we live. We had no choice but to cancel our March General Meeting and suspend future meetings until further notice. Your Committee will meet less frequently and only by teleconferencing.

The Association will operate quite differently in the coming months. Indeed some of those differences may become permanent post COVID.

Our new website is now functioning and I hope that you will use it more often. We will post more information there as it will, in part, have to cover the absence of General Meetings. This increased use of the website may persist into the future. It will become an increasingly important means of contact within our membership as it will also be for potential members and interested organisations. In my article on our internal communications I foreshadow the need for us to convince more members to provide us with their e-mail addresses.

Be sure to read the two articles from our website Manager explaining the new website and the associated use of the "cloud". Ray Hickman has produced another important article explaining where our defined benefit schemes sit in the overall superannuation arrangements in this country. He provides sound arguments against the commonly held view that our pension schemes are overly generous compared with account based superannuation. Ray also outlines where we as a Committee and Association stand during this extraordinary crisis.

As an Association we will continue to be active, using our newsletter, website and, hopefully, increased e-mail traffic. Where necessary we will continue dialogue with external organisations such as Super SA. We will resume our General Meetings as soon as possible. We will remain alert for any unexpected changes that could be detrimental to our members.

Peter Fleming, President

Written on the back of a toilet door:
“The future is not a place
we are going to, but one
we are creating.
The paths to it
are not found,
but created.”
In these troubled times,
let us remain safe and stay positive.

<u>General Meetings</u>
at Flinders Street Baptist Church Hall,
65 Flinders St, Adelaide at 1.00 pm.

GENERAL MEETINGS ARE SUSPENDED UNTIL FURTHER NOTICE DUE TO COVID-19.
DATE OF RESUMPTION WILL BE ADVISED ON THE WEBSITE.

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Retirement Incomes & COVID-19

Part A: Retirement Income Review

In September, 2019 the Federal Government announced a Retirement Income Review. Individuals and organisations were invited to offer their views on the effectiveness of Australia's 'three pillar' retirement income system in terms of its adequacy, equity, sustainability and cohesion. SA Superannuants made its submission shortly before the deadline of 3 February 2020. The submission is posted on the Association's website on its 'Matters of Interest' page.

The consultation paper for the review referred to a Retirement Income index compiled for June 2019 by the international financial firm Mercer. This index ranks Australia's retirement income system as third best, out of 37 countries, after Denmark and the Netherlands. Ranked just below Australia was New Zealand. The retirement income systems of Denmark and the Netherlands scored above 80% (grade A) and were assessed as 'first class and robust retirement income systems that deliver good benefits, are sustainable and have a high level of integrity'. Australia was in a grade of its own with a 75-80% (grade B^+) score and New Zealand ranked in the middle of a group of 10 countries scoring in the range 65-75 (grade B). Both grade B^+ and B countries were assessed as 'systems that have a sound structure, with many good features, but have some areas for improvement that differentiates them from an A-grade system'.

In the consultation paper was the information that the level of public support given to high income/high wealth individuals, by superannuation tax concessions, is greater than that given to low income/low wealth people by the age pension. This is to be expected given that, over a working lifetime, the difference between marginal income tax rates and the maximum superannuation tax rate of 15% increases until income reaches $250,000 p.a. Then in retirement large superannuation account balances pay no tax on earnings. The consultation paper also cites research showing that many households in retirement are net savers and that superannuation account balances are an increasing part of bequests. All this suggests that Australia's retirement income system is of high quality. Part B of this item explains more about the structure of Australia's 'three pillar' system and gives examples of it working on both a defined benefit pension and an account-based pension.

Part B: Economic impact of COVID-19

During February/March of this year health authorities all over the world began to see the seriousness of the covid-19 virus. The people facing the biggest health threat from the virus are retirees. It has also brought with it an economic and financial crisis in the form of the shutdown of entire industries. This has visited unemployment and immediate financial hardship on hundreds of thousands of Australian employees.

In the months ahead the Association's committee urges you to keep up with, and comply with, the instructions and recommendations from health authorities. This will give all Australians the best chance of staying healthy. The Association will be interacting with the State and Federal Governments on financial issues as circumstances require. But in these interactions it will be made clear that the Association recognises that the most severe financial effects of covid-19 are being experienced by younger Australians and we accept this has to be the highest immediate priority for Governments acting to relieve financial hardship.

Standing between Australian retirees and immediate financial hardship is the Australian retirement income system made up of 3 pillars.

1. The Superannuation Guarantee (SG) that all employers are required to pay (9.5% of salary)
2. A means-tested age pension
3. Additional voluntary savings including home ownership.

In addition to the income that these 3 pillars deliver there are substantial tax concessions for all retirees.

The superannuation pensions of members of SA Superannuants are defined benefit pensions payable for life. Where there is a surviving spouse he/she continues to receive two thirds of the pension for their remaining lifetime. If there is no surviving spouse there will be no payment to an estate once the pension has been paid for several years. These pensions require a larger employer contribution than the SG (pillar 1) and additional contributions (pillar 3) from members while at work. These additional contributions must be made from after-tax income.

Following introduction of the SG in 1992 most superannuation pensions are account-based pensions that continue only as long as the account balance lasts. At the end of life the entire remaining account balance and pension passes to a spouse. If there is no spouse, any remaining account balance goes to the estate. A person can choose to make no additional (pillar 3) contributions to their account while at work. Where these contributions are made it is usually by salary sacrifice.

The relatively large employer contributions needed for defined benefit pensions, along with the fact that they are payable for life, is the basis for them being characterised as overly generous compared to community standards. This characterisation never takes account of the age pension (pillar 2) or taxation differences between the two types of pension. The importance of these factors, as far as a fair comparison of the two types of pension goes, is demonstrated in the two tables below. Figures in the Tables also illustrate the effectiveness of the three pillar system in maintaining retirement incomes during financial shocks such as the current one and the global financial crisis of 2008 (GFC).

The figures in each table are for a couple that retired at age pension age in late February this year. Each table sets out the couple's financial position at the end of both February and March. The connection between the $500,000 account balance of Table 1 and the $53,000 p.a. defined benefit pension of Table 2 is that $500,000 is the writer's estimate of the account balance that a person with $53,000 pa. defined benefit pension would have after 40 years of the SG and 30 years of making his/her personal contributions by salary sacrifice rather than from after-tax income. Of course the SG has not been going at 9.5% for 40 years but nor have important features of Super SA defined benefit pensions.

Table 1

Account-based pension and total net income				
	Account balance ($)	Age pension ($p.a.)	Account drawdown ($ p.a.)	Total net income ($p.a.)
Feb	500,000	28,451	35,637	64,088
Mar	400,000	35,588	24,271	59,859

This account-based pension couple has seen their account balance decrease by 20% in just one month which can be very disturbing. But the effect on net income over a normal life expectancy is a smaller decrease of 6.6% due to increased age pension. It is expected that the share market will begin to recover after this crisis has passed and the couple will move back towards their February position albeit more slowly than after the GFC.

Table 2

Total net income from defined benefit pension				
	Gross pension ($p.a.)	Age pension ($p.a.)	Tax and medicare ($p.a.)	Total net income ($p.a.)
Feb	53,000	15,411	4,408	64,003
Mar	53,000	15,411	4,408	64,003

This defined benefit couple's gross superannuation pension of $53,000 p.a. is much larger than the $35,637 p.a. February drawdown for the account-based pension. Furthermore, the couple's total net income has been unaffected by the covid-19 financial crisis. It is likely that this will encourage the view that public sector defined benefit pensions are overly generous. Of course, if the couple has an account-based pension as well as the defined benefit pension, or they have other financial assets linked to the share market, they will have been affected.

It is true that defined benefit pensions require an employer (pillar 1) contribution much larger than 9.5%. But notice that the defined benefit couple receives about $13,000 p.a. less in age pension than the account-based pension couple and pays $4,408 p.a in tax and medicare levy when the account-based couple pay nothing. In this way a substantial fraction of the employer funding of South Australian and Commonwealth defined benefit pensions flows to the Federal Government.

It is also often said that no tax has been paid by the Commonwealth and South Australian defined

cont

benefit pension schemes prior to pension commencement. This ignores the fact that these schemes require members to pay their personal (pillar 3) contributions from after-tax income. This means that members have paid a contributions tax of more than 30% on these contributions while the maximum rate of tax on most contributions, made to account-based schemes, is only 15%.

Just prior to covid-19 rearing its ugly head the Association, in a pre-budget submission as well as in its Retirement Income Review submission had challenged the 'overly generous' perception of our defined benefit pensions. We made a case that SA and Commonwealth defined benefit pensions are '**good, but not better than the SG'.**

When this crisis has passed future governments will have to recover the huge and necessary expenditures being made now. Then will be the time for the Association to do all it can to see that its members are fairly treated. *Ray Hickman*

Our Future Communication System

The country, retirees included, is facing an unprecedented financial crisis as well as a health crisis. Our main source of retirement income is highly secure but we are alert to the possibility that this could see us singled out from other retirees as candidates for unfair treatment in measures taken to reduce government expenditures. We need to make sure that we are well prepared to respond appropriately should such measures be contemplated by governments This is a very good time to make those preparations. So what can we do?

One thing that we can do is to strengthen the organisational capabilities of our Association. For a long time now we have relied on the following in respect of communication between members and the Executive Committee:

1. We exist to protect our members - we are not a social club with the ancillary aim of members protection. The latter is the main purpose.
2. We communicate with our members through our well regarded newsletter, our monthly general meetings and, in recent years, our recently upgraded website.
3. We meet regularly with Commonwealth and State MPs to remind them of what we stand for and who we represent and to raise specific issues.
4. We are long term members of the SA Superannuation Federation which primarily represents State public servants who are contributors to the Triple S accumulation scheme.
5. We are the only organisation in SA which represents retired Commonwealth and State public servants in one of the now closed defined benefit pension schemes.
6 We are affiliated to ACPSRO (Australian Council of Public Sector Retiree Organisations).

However, when we look to the uncertain future for retired public servants in respect of the incomes they can expect in retirement there are clearly improvements that we can make to our Association's capabilities. First and foremost will be to improve the communication channels between our members and their elected Executive Committee. Our present methods are slower and more cumbersome than they need be, particularly our reliance on "snail mail" as the only means of contacting all our members at one time and our minimal use of the internet. Recent changes to our website which our Website Manager, Peter Frick, has outlined elsewhere in this newsletter is a big step in the right direction. However, we are failing to make full use of the internet. The fact is that we only have the email addresses of about 600 of our 1800 members (about 30%). Yes, there will be some of our older members who are not on the internet and that may always be the case. But we are confident that this is only a small percentage, and we believe that up to 90% of members would have e-mail addresses. If we can increase our list of e-mail addresses to near this level our capabilities are considerably strengthened.

When we first asked for emails nine years ago they were only seen as relevant for members who wanted the newsletter sent by mail. Now it has become a major means of communication. Clearly many members with e-mail addresses still want to receive a hard copy newsletter, and that can continue. We need e-mail address for other purposes, e.g. surveys of members and urgent communications such as the recent decision to cancel the 30 March general meeting.

When we put proposals to governments but cannot provide basic statistical data (without a costly mail survey) to support them then our bargaining power is immediately diminished. With the addition of new members from Commonwealth Superannuation Schemes our membership is within touch of 1800. Proposals that have support from a large proportion of that 1800 are more likely to be listened to.

In addition, we have an improved website which we can utilise more frequently and update more regularly to greater effect if we can persuade our members it is to their advantage to access it more often.

We are at the beginning of a period of unknown duration where our general meetings will be suspended. We cannot help that but we can take advantage of this hiatus to improve our communication systems along the above lines. We could emerge from this unfortunate period with more tightly formulated purpose not only in our relationships with governments but also between ourselves. Most of the basic ingredients are already there, we just need to broaden and refine them, particularly by use of e-mail.

Your committee will shortly be seeking your cooperation in reaching for these goals.

Incidentally, this would be a good time to update your e-mail address if there has been any change in the last year or so You can do this by e-mailing the Association's e-mail address sasupera@gmail.com and leaving your new address.

In the meantime, given that our membership is, health wise, in the highest risk category we urge all members to keep up with the latest advice about staying healthy. Keep active and the six months or so will go soon enough. *Peter Fleming*

Our New Website

In the middle of last year, we stumbled across the fact that our 17-year-old web site was not working all that well on mobile devices. Back in the day nobody used a mobile device to get on the internet. Indeed, we often had trouble getting on with the old dial up system. Today in excess of 50% of internet use is done via mobile devices.

Your executive saw that it was a no brainer to do something about our aging web site. A subcommittee of three, Peter Fleming, James Vandenberg and myself met with Icarus web designers to investigate our options. Interestingly it was Icarus who was involved in the design of the old web site all those years ago. After some discussion it was agreed that Icarus would completely redesign the site to meet modern day expectations.

In January of this year the new site was launched, hastened by the fact that the old site was being hacked due to the poor security of the old software it was based upon.

What we have now is all of the old content in a bright readable and secure format based on modern software and most importantly compatible with mobile devices.

One new innovation is the Member's Portal which will be accessed by password for members only. At present the Portal will only contain the current year's newsletters but it is envisaged that we will use it from time to time to survey the membership about the association's directions and decisions.

For members to access the portal we need to have your e-mail address. At present we have e-mail addresses for just over 600 of the 1700 members. The importance of us having your e-mail address was no better exemplified by the recent emergency cancellation of the General Meeting due to Covid-19. A notice was placed on the web site and 600 members were e-mailed; this was at virtually no cost. At a cost of $320, a notice was placed in the Advertiser. There was not enough time to use snail mail.

There are obvious advantages to us having your e-mail address both for emergency contact and for you to access the Members Portal and have maximum input into your association. Having said this, it is not our intention to isolate those of you who for whatever reason cannot or choose not to provide us with this information. Your Newsletter will continue to arrive as normal.

Why not check out the new site at https://www.sasuperannuants.org.au/ ?

Peter Frick Website Manager

Cloudy Periods with Some Sunshine

Once, "The Cloud" was something that promised rain! Today it has quite a new meaning as well. Over the last few years much of the Association's files and e-mail communications have been "Put in the cloud".

The SA Superannuants has a Google account, which is free and is carrying out an important function. This free service allows us to store files and e-mails on Google hard drives where it is secured by a password and can be accessed from anywhere in the world simply by logging on and satisfying strict security parameters.

In practice substantive e-mails and files are sent to the web site manager who uploads them to our cloud account. Prior to this as is the case with most groups run by volunteers all of our files and on line communications lived on a variety of private computers owned by the various volunteer executive officers. Before the digital age they were more than likely stored in a box somewhere in the volunteer's house. Our association has been going since 1927 and unless files were donated to the State Library to hold, have probably disappeared with the demise of the various volunteer officers.

Using the cloud now means that anyone with the log on details can access all historical files and e-mails. The files are stored using the normal computer folder system and in some cases go back as far as 2003. All of the substantive e-mails are also stored here in yearly folders which go back to 2013. As time goes on our storage will continue to grow.

Another use of our cloud account is the opportunity to renew memberships and open new memberships via an on line form. It is hoped that this same tool can soon be used to survey members' opinions from time to time.

As with most things digital these days on line security is paramount. While no connected computer is totally risk free (even yours and mine!) Google does have a stringent security system. The web site manager will be sent a message if the account has been opened by a machine that Google does not recognise. All a little bit scary but that is the way of the digital world.

Using our free Google Cloud account allows us to securely back up all of our files, correspondence and communications in a manner which will ensure their availability for posterity and in times when executive officers retire.

Peter Frick Website Manager

Retired South Australian Public Servants

Do you know that you can smooth the way for your partner to receive your Super SA pension on your passing?

To make the transfer process as seamless as possible, you can lodge the following documents with Super SA now, and then all your partner needs to do is provide a copy of your death certificate and their proof of identity documents after your passing.

The documents you can lodge now will need to be certified. You can either send certified copies to Super SA or take the originals to the Super SA Member Centre for certification:

- Legal marriage certificate, issued under the South Australian *Births, Deaths and Marriages Act*, OR
- Registered relationship certificate, demonstrating that the relationship was registered in accordance with the *Relationships Register Act 2016*, OR
- Statutory declaration(s) supporting putative spouse status (this is not required for those who have evidence of a Registered Relationship). A Statutory declaration by your partner and Statutory declaration by an independent person is required, AND
- Birth certificate of spouse.

How do I get a document certified?

The original document needs to be sighted by a person such as a Justice of the Peace, Commissioner for taking Affidavits, a Notary Public or a Proclaimed Police Officer, and the document stamped as being a true copy. Documents must be certified within the last six months.

How do I lodge documents with Super SA?

Post certified copies to Super SA, GPO Box 48, Adelaide SA 5001 or visit the Super SA Member Centre, Ground Floor 151 Pirie St (enter from Pulteney Street) and staff can make copies of original documents. *Rosemarie Argue, Super SA*

Retired Commonwealth Public Servants

For retired Commonwealth Public Servants in receipt of a CSS or PSS pension, there is no provision or need for you to send in documents prior to your demise. However you can make things a bit easier for your surviving spouse/partner by making yourselves aware of requirements and by having certified copies of necessary documents including your Marriage Certificate ready to lodge with the Reversionary Pension Application when the time comes. The Reversionary Pension Application gives detailed advice on documentation and identification requirements and can be downloaded from the Commonwealth Superannuation Website csc.gov.au. You can email CSS at pensions@css.gov.au, PSS at pensions@pss.gov.au or phone CSS 1300 000 277, PSS 1300 000 377. *James Vanderberg*

Audio-visual Equipment Officer

The Association needs a person to look after our equipment. See our website to obtain details.

Health Insurance Premium deductions from Super SA Pensions

Recently Super SA wrote to members who had their health insurance premiums deducted from their after-tax pension advising them this service is no longer available.

The last health insurance premium deductions from pension payments were made on 24 January 2020 for ETSA superannuants:
31/01/2020 for Governor, Judge or Parliamentary superannuants, and 30/01/2020 for all other superannuants.

If you are impacted by this and have not yet made contact with your health fund you need to do so urgently to ensure that your health cover continues. *Rosemarie Argue, Super SA*

Membership Report

1549 financial members, and 143 financial partner members, for a grand total of 1692 members. However there are an additional 56 members and 10 partner members who have not paid their dues, for whom final notices have been posted. I usually receive about 50% of the late fees.

The membership boost from the Commonwealth of 232 members changing over to us has been very welcome.

Max Jahn, Membership Officer

Treasurer's Report

At the start of 2020 the Association's total funds were $130,105 with our Argo shares worth $38,280, at 31/03/2020 these figures were $116,693 and $29,938. The fall in the value of our shares (and $3820 to redevelop our website) have hit our worth hard.

Thanks to SCOA's generosity, we should very soon receive $13,070 when SCOA finalises its closure and disburses its funds. We thank SCOA for this. This will leave us with around $130,000, a healthy position. However, it has to be remembered that about half of our members are life members and we have an ongoing obligation to provide services to these people; for example we spend around $10,000 pa producing the newsletter. So, we must expect that our worth will begin to fall soon. Indeed, this probably would have begun already except for the boost we received from former SCOA members joining us. *Michael Evans*

Joining & Renewing

Fees And How to Pay

Annual Member:

$15, partner = $5.

Life Members:

age under 60 = $270,
60-65 = $220,
66-70 = $160,
over 70 = $130.
partner = $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 to a life membership, notify a change of address and supply email 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)

Newsletter by **post** ☐ **email** ☐

Email address

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

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

Newsletters will continue as normal. You can expect them in February, May, and October of each year.

Max Jahn, Newsletter Coordinator

due dates for articles for inclusion in the Newsletter

21st January distributed by 10th February
21st April distributed in May
21st August distributed in September

data format

Items for inclusion in the newsletter need to be in "Word Document".
If they are in "text box", or "PDF", they may not be published.

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.*

I am relinquishing the role as Newsletter Coordinator

After discussion with Peter Fleming, I have decided to make the May Newsletter my last effort. Thank you for your support and contributions over the last three years. I will stay as Membership Officer, and look forward to continued contact with you. Ray Hickman will take the job back after an absence of about eight years. Please support him with your feedback, as you have done for me.

Written on a nursery float
in the Barossa Vintage Parade:
"Planting a garden is to believe in tomorrow".

Max Jahn