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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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The President's Column

Recently, I returned from 2 1/2 weeks in China, my fourth visit, the last in 1994. Politics aside, I thought that you may be interested in some comparisons between now and my earlier visits.

My first visit was 30 years ago with a Commonwealth Government delegation. Security was very, very tight. We could not go anywhere unescorted. Bicycles were the people's main mode of transport, public amenities were very substandard, the people looked to be poor, buildings were concrete grey and standardised, there was very little street lighting, most people lived in rural areas - it was bleak. Only the interpreters spoke English. We saw few foreigners.

This month my wife and I visited 5 cities of between 15 and 30 million people; four of them were the same cities I visited then. We drove on modern freeways (4 to 8 lanes), passed hundreds and hundreds of apartment buildings (20 to 40 storeys), colourful advertising signage and people dressed in modern western attire. Each city had modern and substantial underground and above-ground rail systems. One train we travelled on from the Shanghai CBD to the airport reached a speed of 430 kph.

Today English is more widely spoken, not only in the hotels and on the Yangtze River cruise ship, but also in some shops and in public transport Information Booths (which did not exist in 1994). I doubt this is the case in rural areas.

The Chinese are very committed to programs to improve the environment and to combat man-made climate change and they seem to be having success. Most motor bikes in Shanghai are battery driven; solar hot water services are commonplace; and we cruised past many now closed coal mines along the Yangtze.

My 1994 photo, which I still have, of the newly completed Telecom Communications Tower in Shanghai showed it surrounded by old, dense, single-storey housing. In 2017 that housing has been totally replaced with hundreds of tall office blocks and apartment buildings. Tourism is a huge industry, in stark contrast to 30 years ago.

China is very big, very prosperous in the cities, very open and very welcoming, but it remains a one-party state. For example, in Beijing and Xian the Provincial Government decides when the air conditioners in all apartments and commercial buildings are turned on and off!! In Shanghai, people can decide for themselves, so perhaps that control will eventually go.

Peter Fleming

Members: your stories of life in 'retirement' are welcome. Please email to the Secretary. -DD

From the GM, Super SA

Superannuation has frequently had a prominent position in the Federal Budget. It has become a bellwether indicator of strength of the economy. In good years, it is treated generously with concessions and tax treatment changes that promote saving, while in weak years the reverse. To achieve this, transition needs a narrative.

Superannuation doesn't change from good to bad: the principles behind saving for your own retirement haven't generally changed. However, the effectiveness of superannuation rules in creating a reliable store of wealth, while allocating concessions fairly, is constantly being assessed.

From a Budget perspective, this review is undertaken with the benefit of hindsight, updated with current expectations and then applied across the forward years covered by the Budget. This tends to favour a short-term outlook which defers to long-term targets.

The changes commencing from 1 July 2017 (a factsheet can be found on the Super SA website) that stem from the 2016 Federal Budget were done in the context of fairness and in an environment where the Commonwealth needed to find savings. The environment for the following Budget on 9 May doesn't appear to have changed very much.

As usual, the media were tested with a variety of ideas for inclusion in the Budget - **first home buyers to access their super** and **encouraging retirees to downsize the family home**. The thinking behind both proposals demonstrates that, in the future, superannuation may move **from** primarily supporting an income in retirement **to** achieving lifestyle outcomes. **That is a much larger remit**. Then, analysis of the level of debt held by people approaching or in retirement will become very important.

Even though it may not feel like it, in recent years most of the controversial changes to super have only affected minorities and not the average superannuant.

In the future, the changes in superannuation may be much more far-reaching.

John Montague

Our Members Write

Trust in governments is threatened if they make changes without some form of grandfathering. All those who were affected by the recent changes are entitled to feel outraged because their last few years would have included long periods of planning their retirement affairs according to the rules and advice that they were entitled to regard as reliable. They then had the goal posts moved when they were able to do nothing or little about it.

In 2015, the government legislated two significant changes impacting superannuants who were in receipt of a part age-pension. The deeming of superannuation balances (affecting the income test) was grandfathered.

The change to the asset test taper rate was not grandfathered. Governments should be lobbied to conform to a consistent principle that grandfathering is fair and should be the norm when dealing with superannuation.

Vic Scriven

For a copy of member Peter Gilchrist's very firm letter to the Prime Minister, ask the Secretary of this association (p1).

Also see "A Good Outcome" reported by member Peter Bridge, and note from John Olsson, on p5.

Your Committee for 2017

President **Peter Fleming**
Vice-President **John Parkinson**
Secretary and Website Liaison **Christine Venning**
Treasurer **Michael Evans**
Membership Officer **Max Jahn**
Assistant Secretary - vacant
Guest Speaker Co-ordination
Mike Wohltmann, Ian Beckingham
Committee Members
Arnulf Anders, David Donaldson, Ray Hickman.

Above were elected on 27 February 2017. Positions remain available for Committee member/s and Assistant Secretary: offers to the Secretary please.

Observer ***Eileen Pritchard***
Website Manager ***Peter Frick***

From the Annual Meeting

President's Report

Peter Fleming said his report was on the Association's website. The highlights were: The work done on EISS will reduce in 2017; Our superannuation payments have barely increased; The power systems are struggling to meet demand; SA Superannuants is in healthy shape.

The President asked for a show of hands of members who have had their part age-pensions reduced. 11/50 indicated in the affirmative.

The committee had established a steering group to look at governance in the superannuation field: John Parkinson (convenor), Christine Venning, Ray Hickman and Michael Evans.

The President noted that after many years of service Clive Brooks and Mike Duff would be retiring. He paid tribute to these two members for their diligent work ensuring the Association received the best of their attention. This remark was greeted with acclamation.

Association Financial Reporting

For years, it was our practice to publish the audited financial statements as presented at the AGM in the May/June issue of The Superannuant. This year as last year, they have been placed on our website, thus still making the information available to members. [Drop down from *Home*.]

Clive Brooks Steps Down

At this year's Meeting, the Association's long-serving Vice-President retired from the executive work. Clive Brooks joined the Committee in 2002 and was active over those fifteen years.

His legal qualifications and experience served the Association well. He took responsibility for the making of Freedom of Information applications. He advised the Association in the complex matter of the reductions made to pensions of the *Electricity Industry Superannuation Scheme*. Clive was the Association's Public Officer, handled its purchase of Argo shares and its insurance arrangements. His was a steady hand helping to keep the Association on course.

Clive was long an Association delegate to the Superannuation Federation and to the Australian Council of Public Sector Retiree Organisations. He represented the Association at its meetings with Members of Parliament and the various other authorities with which the Association has dealings. His presence at, and contribution to, these meetings gave the Association a credibility that it would not have had without him.

At the personal level, Clive worked easily with other committee members. His gentle manner and the Aha! gleam will stay with us. He will not be easily replaced. All members of the Committee thank Clive for the contribution he has made and wish him well for the future.

The Committee

2017 - Federal Budget - 2017

Of the changes announced in the Federal Budget on 9/5/2017, those that will affect at least some recipients of Super SA pensions (provided they pass the Senate) include:

Increase in the Medicare levy – as of 1 July 2019 the levy will increase from 2.0% to 2.5% of taxable income. Super SA pensions, being untaxed-source pensions, are taxable income. so most people receiving them will pay the additional levy from 2019. The increase is being made to fund the National Disability Insurance Scheme.

Most superannuation income is not taxable income, so many retirees will go on paying 0% Medicare levy no matter how large their superannuation income might be. This is something that the Association will continue to point out to all Federal parliamentarians. The changes below do not differentiate between retirees with the two different categories of superannuation income.

Restoration of age pensioner cards – people who lost their entire part-age pension due to the asset test changes of 1 January 2017 also lost the age pensioners card which was replaced by the Commonwealth Seniors Health Card. People in this position will now be reinstated on the age pensioners card as of 1 July 2017.

Downsizing of a residence -- as of 1 July 2018 people aged over 65, regardless of whether they are working, and provided they have been living

cont

in their homes for at least 10 years, will be able to sell their homes and move to smaller, less expensive dwellings with the option of depositing up to $300,000 ($600,000 for a couple) from the net proceeds of the sale into a superannuation fund.

Any money deposited will not count towards the contributions limits recently imposed by the government. In other circumstances a work test prevents people aged over 65 who are not working from making any contributions to superannuation.

The money deposited into superannuation from the sale of a home will count in the age pension asset test.

RH

Speakers' Corners

The Office for the Ageing has some facets of work that many members will have met up with - Aged Care Assessment Program, Retirement Village Unit, Seniors Card Business Unit.

Kathy Williams from the policy unit of OFTA spoke about their *Prosperity through Longevity* program which was launched in 2014. Its priorities are

- Health, well-being and security
- Social and economic prosperity
- All ages friendly communities.

On elder abuse, there is a booklet *Knowing your rights* which can assist in getting help and advice. The elder abuse line is 1800 372 319 and there is also 'Stop Elder Abuse' website. Situated within SA Health, the Office is training nurses to recognise elder abuse.

Social and economic productivity has to be accessible for people who don't have English as a first language. In 2011 there were 266,712 people in SA above 65 years, of whom 18% had been born overseas to non-English speaking parents.

The *Age of Opportunity* will be launched in a few months by the Premier. The office is working with COTA on a project *Mature Women's Ambassador*. OFTA is supporting senior entrepreneurs. Forty new businesses have begun.

The Men's Shed is encouraging older people in the arts as audiences and artists. *All Ages Friendly Community* is being launched in May 2017.
South Australia is an exciting place for the older Australian!

In April, Jane Mussared spoke about the work of COTA. For its members, COTA provides a state-level email newsletter and a national printed quarterly magazine. Call 1300 1400 50.

Your Hearing Loss

Are you missing out on conversation? Do others say the volume of your television is high? Do you have to ask people to repeat things? Peng Lim spoke to members about hearing loss.

Australian Hearing is a Commonwealth agency of 69 years. It was founded to help veterans when they returned from WWII. There are 170 centres across Australia; clients can access any of them – very handy for grey nomads.

Hearing loss is both prevalent and invisible. Most people don't do anything about it. By 2050 it is estimated 1:4 people in Australia will have loss. People will withdraw socially, then constantly being alone can lead to depression

Some hearing aids are clever enough to distinguish between noise and voice. They have better quality microphones. Batteries generally last between 10 and 12 days. Some aids have rechargeable batteries to assist people who have arthritis or dexterity problems.

The screening for hearing loss is painless. The audiologist can provide a hearing aid to suit your pocket and lifestyle and the aid can be custom made to fit your ears. The audiological website can tell you which consulting business is not owned by a hearing aid company.

For concessions, you need a referral from your GP but this only happens once. Your hearing aid needs to be replaced every 4 years or so and adjusted annually. Hearing aids can cost up to $9000 for a top of the range model.

Please consult an audiologist to get your life back. It will add years to your life, said Peng.

Christine Venning

Super & Age Pension Alerts

A good outcome for a member

In the previous issue of *The Superannuant, a*n item outlined the difficulty that a member was having with the tax-free component (also known as the Undeducted Purchase Price, UPP) of his pension. An incorrect value of his tax-free component had been applied to his pension for a number of years. This resulted in him paying more tax than he needed to, and receiving less in a Department of Veterans Affairs pension than he should have. Due mainly to his own efforts, but with assistance from the Association, our member has recovered the situation:

> “Have just received and read the latest Newsletter. The item on UPP is very clear. Thanks for including it and also for your very helpful contribution on my behalf. The ATO has now confirmed it will adjust my tax returns from 2000 and DVA will adjust my pension from 2011. So I have been well treated by both organisations. I hope others, if any, in my shoes are as fortunate. Feel free to contact me if I can assist anyone who may contact you.
>
> With best wishes, Peter”

The key to Peter’s success seems likely to have been that he had documentation establishing that he had been assigned an incorrect value for UPP.

Another member contacted the Association with a partly similar experience:

> “I read with interest the recent article describing a member's experience with the Undeducted Purchase Price (UPP) element of our defined benefit pension, having had the very same experience after commencing my pension in 1989. It was 1996 before I was alerted to this situation. After providing the ATO with the required information from the then State Superannuation Office, I was told that "legislation restricts us to only being able to go back 4 years", thereby missing out on 3 years of deductions. Not happy, Jan!"

Life Expectancy in UPP

The member had asked for UPP re-assessment:

"As the annual UPP exclusion from tax is calculated as 'UPP divided by Life Expectancy', it is obvious that the greater your life expectancy then the lower your UPP entitlement. Some time after receiving my UPP entitlement from the ATO I was advised by an investment adviser to query the ATO's calculation of my life expectancy factor, as it seemed somewhat excessive.

"By phone, the ATO told me, 'the original assessment is correct, it incorporates the life expectancy of your wife as your superannuation is reversionary, that is, your wife receives a pension on your death. As the life expectancy of a female is more than a male, this accounts for a higher combined life expectancy factor. Also, the UPP continues to be claimable by a surviving wife as a tax rebate'.

"It makes one wonder if a re-assessment of Life Expectancy is justified, given the working and lifestyle changes in the population in general within the last 2 or 3 decades. I thought other members may be interested in this further extension to the 'tax-free component' discussion.”

Comment on the calculation of UPP: In 2007 the rules for calculating UPP were changed. Super SA pensioners retiring since then have a value which is a percentage of the pension rather than a fixed dollar amount. This value increases each year. Taxed-source pensions beginning before 2007 were allowed a recalculation of the UPP to get a percentage value but the UPP already claimed was taken off the contribution value used. This means that people who retired well before 2007 would not gain much. It would be a very complicated issue to pursue.

RH

Retirement Villages

According to a 2017 report to the Property Council, there are currently 184,000 Australians living in retirement villages. By 2015, the number is expected to be 382,000. For them, and those remaining at home, the Commonwealth Home Support Program will continue, with a doubling of Home Care Packages by 2021.

In South Australia, the Office for the Ageing in May offered consultations in all villages on the Regulations that will follow from the Retirement Villages Act that was passed in November 2016. As these rules are changing, this association suspended its own inquiry into "exit fees".

Last December, Goldsborough financial planners wrote in summary about fees for retirement villages. Copies are available.

DD

Lessons Learned in A-V

Superannuants has for many years presented speakers from a wide range of interest groups, obviously much appreciated by the members*. Recently, advances in technology have developed a plethora of formats in the illustrative media brought along by the speakers.

The association decided to find the gear to work universally, as mentioned in last issue. We are fortunate to have someone in the Committee who has expertise in audio-visual presentations -- but only one. Back-up was essential. Who would volunteer to take on some training?

I put my hand up. I hauled the new projector and other attachments home for a lesson in putting the pieces together and making the various adjustments to the images to sharpen the presentation. Our expert brought along instructions in writing. So far, so good. At the next committee meeting, I assembled everything for a practice run, which soon proved I was still unsure. Again I had to call on our expert. I took it all home for further practice.

The next general meeting!! The President was away, so I was required to preside over the meeting, by itself simple enough. Our in-house expert was also away but on hand were other committee members who had had training and experience. Needless to say, the gear would NOT work. I was caught up in managing the agenda at the same time as trying to solve the problems with the projector...

Right on the commencement of the meeting, helpers from the audience got the A-V working, with our own team, while I was away doing the chairing. What a relief! It was almost a disaster. I was most grateful for those who pulled it together.

John Parkinson

**Providing material for Speakers Corner in each issue -DD*

Disclaimer: *Readers should not act, or refrain from acting, solely on the basis of information in this newsletter, or the website, but should consult the relevant authorities and advisers.*

The EISS matter and the ICAC

Readers of *The Superannuant* will be aware of the Association's long-standing interest in the method used to convert defined benefit pensions of the *Electricity Industry Superannuation Scheme* (EISS) from untaxed-source to taxed-source pensions. This conversion requires a reduction in the gross value of pensions to meet the tax cost of the change.

1. The Association's assessment of the relevant section of the *Electricity Corporations Act 1994* (the Act) under which EISS operates is that it does not allow pension reductions to go beyond meeting the tax cost. There is Crown Law advice which supports this assessment. If there is an advantage to be obtained through the change, it should go to members of the scheme, as has been the case in all other Australian jurisdictions, and not to employers.

2. The method used to convert EISS pensions had the effect of reducing most pensions by more than 15% and therefore by more than the maximum rate of tax that had to be paid by the scheme. Furthermore, the tax was only payable on part of the assets held at the time of conversion and on part of the contributions paid afterwards to bring the scheme up to full funding. This provides a clear indication of the method having reduced employer costs by passing to them, rather than to members, the tax advantage that goes with operating a pension scheme as a taxed-source, rather than an as untaxed-source.

[Pensions of the State Superannuation Scheme are untaxed-source pensions. Reports received by the South Australian Government have recommended that the EISS method be used for conversion of State Scheme pensions to taxed-source pensions. Knowledge of these recommendations, and the similarity between the State Pension Scheme and EISS, is what saw the Association become involved with EISS in the first place.]

3. Working with two members of EISS, the Association succeeded in getting the Legislative Council to request the former State Ombudsman,

cont.

Mr Richard Bingham, to report to the Council on the matter. Mr Bingham's report rejected the Association position, saying that he could not decide if employer costs had been reduced but, even if they were, it was his opinion that this was allowed by legislation. In the report it is seen that Mr Bingham took evidence from one witness without putting him on oath and without recording the evidence. All other people giving evidence, including representatives of this Association, did so on oath and their evidence was recorded. Requests for a reason for different treatment of one witness have been refused.

4. Changes in employer costs of a defined benefit scheme must be reviewed every three years by an actuary. The Act refers to this, in its **Schedule 1 Part D - reports,** as follows:

> (3) An actuary appointed by the Board must, in relation to the triennium ending on 30 June 1999 and thereafter in relation to each succeeding triennium, report to the employers, the Board and the Treasurer --
> (a) on the employer costs of the Scheme at the time of making the report and during the foreseeable future; and
> (b) on the ability of the Scheme assets to meet the Scheme's current and future liabilities, (each report must be submitted within 12 months after the end of the relevant triennium).
> (4) The Treasurer must, within six sitting days after receiving a report under this clause, have copies of the report laid before both Houses of Parliament.

The reports completed in 1999, 2011 and 2014 had been laid before the Parliament as required by the Act but not the reports for 2002, 2005, 2008. The change in tax status of EISS occurred in 2002 with effect from 1 July 2000. The scheme was brought up to full funding in 2006 and so the three 'missing' actuarial reviews cover the period from when the change in taxation status occurred to when the scheme was brought up to full funding.

This means they would tell the story of what happened to employer costs as a result of the 2002 tax change.

Attempts by the Association, and by scheme members, to obtain access to the reports were unsuccessful until very recently (see below).

The involvement of ICAC

In March 2016 the Association's committee authorised a report to the *Office for Public Integrity* (OPI) which operates under the supervision of the Hon Bruce Lander QC (the Commissioner).

Our report was read and we were informed by letter that there was nothing in it that warranted further investigation. Our request for permission to circulate a copy of the letter to our members, and other interested parties, was not granted.

The information contained in the preceding two paragraphs has been provided in accordance with an authorisation from the Commissioner. This authorisation included the requirement that you [the member reading this newsletter] treat the information as confidential.

Latest development: after a direct approach to members of Parliament, made on 7 April, for the missing reviews to be tabled, they were tabled on 13 April. They are now being looked at to see what they reveal.

Ray Hickman

Joining & Renewing

For reasons of space, the membership panels are not being printed in this issue.

If you meet someone who has not received this newsletter, then it may be that an Annual payment has become overdue. Equally, fresh memberships are welcome from other people who are in the SA superannuation schemes.

Contact details for membership: see top of p1

Speaker Program 2017-2018

Commencing at 1.00 pm on a Monday at Pilgrim Centre, rear of 12 Flinders St, Adelaide.

May 29: Sergeant Ange Clissold, *Cyber Crime. Issues facing the Elderly in our digital world. What you need to protect yourself.*

June 26: Gerry Feltus, Talk about his new book, *"The Unknown Man".*

July 31: Michael Wohltmann, *The Great War and the treatment of German-Australians in South Australia, 1914-1924.*

August 28: Sharon Cleary, Manager, Anzac Centenary Unit. *The importance of Anzac legend in Australian culture.*

September 25: Jan Forrest, Former Research Officer in South Australian Museum, *The state of butterflies in your garden.*

October 30: Jo Townsend, CEO Funds SA, *How Funds SA operates and challenges it faces.*

November 27: Rhonda Sharp, University of South Australia, *The evolution of superannuation policy: what it has meant for women's retirement.*

February 26: John Montague, Super SA *tba*.

Prior to a talk, details about the speaker, with any changes, are shown on the website under Meetings.

Who uses our Website?

Thanks to Google Analytics, our website man, Peter Frick, can report that usage is steady around 250 calls ('hits') per month. Just over half of the visits are from Australia, with about 10% each from U.S. and U.K. Russia comes next with 7% - we hope they find our super system enlightening.

Overall, only a quarter were returning customers. Three-quarters were first-time visitors! They must be the 56% of users who 'bounced' - just looked for a minute or less. Hmmm.

DD

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