South Australian Government Superannuated Employees Association Inc.

*trading as:*

# S.A. Superannuants Newsletter

*Established 1927*

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## From the President

THE issues which the Association takes up on your behalf include some which affect all members and others which affect only a few. Whatever the issue might be, the role of the Association is to make its best efforts to obtain good outcomes for members and their dependants.

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A current issue, which affects all members, is the basis for indexation of pensions. Our pensions are indexed to the Consumer Price Index and adjusted twice-yearly. We would like to see the indexation changed to keep pace with general wage rises in the same way that Centrelink pensions do. This is a common goal for all organisations representing the interests of public sector superannuants.

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An important issue dealt with in 2003, and affecting only a few members, was that of the splitting of superannuation pensions in the event of marriage breakdown. The Association was successful in convincing the State Government to allow splitting of the pension so that the non-member spouse of a couple could receive his/her share in the form of a lifetime pension. The proposals made by the Association were accepted not just for our own scheme but for the Parliamentary, Judges' and Police Superannuation Schemes as well. While this matter affects only a few people the effect is very substantial for the couples concerned.

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During the past year the members of the Executive Committee have worked hard at their task and I thank them all for this effort. I particularly thank Vic Potticary who stepped in at short notice to meet the responsibilities of Secretary.

Ray Hickman, President

***CPI Change:*** in the period June—December 2003, the Adelaide CPI increased by 1.32%. Pensions will be increased by this percentage amount on and from the first pension payment date in April, 2004.

## Committee Positions in 2004

ALL members are encouraged to nominate for positions on the Executive Committee. You can do this by writing to the secretary prior to the annual general meeting or at the meeting itself. Executive meetings are held from 10.30 a.m. until noon on the same day as general meetings.

The Constitution requires that at least two committee members be women and at the time of writing it is known that only one woman has nominated. *Therefore we need at least one more woman!*

## ANNUAL GENERAL MEETING

**Monday, 23 February, 2004, at 1 p.m.**
**Pilgrim Centre, 12 Flinders Street, Adelaide**

**Agenda:**

1. Apologies
2. Minutes of the Previous Annual General Meeting
3. Annual Reports: President, Treasurer
4. **Subscription Fees: It is proposed that the annual fee be increased to $8 and life membership fees to $160 (under 60), $120 (60-65) and $90 (over 65)**
5. Election of Officers and Committee for 2004

***Guest Speaker:***

**Mr. Paul Rofe,**

**Director of Public Prosecutions**

**Speaker Program for next 6 months:**

Venue: Pilgrim Centre, 12 Flinders St., Adelaide
1 p.m-2.30 p.m.

**March 29: Trevor Jaques**, Adelaide Football Club
**April 19: Professor Mike Tyler**, 'Frogs and Drugs'
**May 31: Wendy Fairley**, Victim Support Service Inc
**June 28: Mark Moffatt**, Centrelink
**July 26: Matt Abraham**, 891 ABC Adelaide

# Action Needed to Lobby Governments on Wage-Based Indexation

**THE Association's approach to this matter, so far, has been to contribute to the campaign being conducted by the Australian Council of Public Sector Retiree Organisations (ACPSRO) and the Superannuated Commonwealth Officers Association (SCOA). In this campaign the federal government is being lobbied to use the better of wage-based indexation and the Consumer Price Index for its civilian and military superannuation schemes.**

**This Association, like all the others representing the interests of State public sector superannuants, is convinced that the Commonwealth must be persuaded to adopt wage-based indexation for its pension schemes before there is any chance of a state government doing so.**

The key elements of the argument, which supports the case for a change from CPI to wage-based indexation, are set out below. The argument is applicable to both Commonwealth and State superannuation pensions.

1. Two separate Senate enquiries have recommended a change to the better of wage-based indexation and the CPI for Commonwealth, Defence and State superannuants.
2. The Australian Bureau of Statistics (ABS) has described the CPI as follows: *"The CPI is not a measure of the cost of living. It is a measure of inflation and there are differences between the two things."* (Super Time, November 2003)
3. The ABS has also pointed out that if the indexation of superannuation pensions has the purpose of maintaining the relative standard of living with other groups in the community then, rather than the CPI, *"an earnings measure of some sort would be a more appropriate vehicle for indexation."* (Super Time, November 2003)
4. Federal parliamentarians have their pensions indexed primarily to parliamentary salaries and not the CPI.
5. Over a 20 year retirement period CPI indexation will see the value of a superannuation pension fall about 30% behind the value that a wage of the same initial value would have at the end of the period. **Only part of this difference is made up for by Centrelink payments. Where a superannuant has no Centrelink entitlement he/she will experience the full 30% decline.**

To counter these arguments, governments, both federal and state, claim that wage-based indexation will increase the cost of pension schemes. Therefore it is not likely that the change will be agreed to unless these governments are convinced that ordinary public sector superannuants, **like you**, believe their pensions should increase in line with community living standards, not just inflation. **This is where your role will be crucial.**–RH ⌘

## WHAT YOU CAN DO TO ASSIST

**You are urged to write to, or go and see, your Federal member of Parliament and ask him/her to support a change from CONSUMER PRICE INDEXATION to WAGE-BASED INDEXATION for all public sector superannuation pensions.**

*The five points listed above can be used as the basis for the case you put.*

## Pension Splitting and Divorce

IN October, 2003, the State Government presented to Parliament a revised bill dealing with the splitting of superannuation benefits in the event of marriage breakdown. This bill provides for the non-member spouse of a Super SA pensioner to be paid an indexed pension, which will continue for that person's lifetime. This is an additional option to those provided in an earlier version of the bill, and an option sought by the Association.

Vicki Chapman (Member for Bragg), in her parliamentary speech which expressed the opposition's support for the revised government bill, said:

**"I note that the SA Government Superannuated Employees' Association Inc., trading as S.A. Superannuants, has been a significant contributor to this current bill and the amendments that have been incorporated within it."** and **"I appreciate the time and contribution that has been made by SA Superannuants and Dr Hickman, in particular, for his careful consideration of the bill. It has culminated in amendments being incorporated by the government in the period between when the bill lapsed and the introduction of the bill which is currently being debated."** (*Hansard*, 22-10-2003)

The new arrangements will work as illustrated in the following example:

Each member of a married couple is aged 60 and the man is a member of the pension scheme receiving a pension of $30,000 p.a. Their marriage breaks down and they agree (or the family court orders) that the pension is to be split evenly.

In this example the (former) husband will continue to receive $15,000 p.a. (indexed) for the remainder of his life.

The (former) wife has the following options:

a). Also receive an indexed pension of $15,000 p.a. which would cease upon the death of her (former) husband- but continue to be paid to her estate if she died first. Alternatively she could elect to commute the $15,000 p.a. pension to a lump sum of $15,000 x 10.5 = $157,500. **Partial commutation is not available.**—*Continued next page*

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b) Receive an associate pension of $13,828 p.a. (indexed) which will continue for as long as she lives. **This pension cannot be commuted.**

The reason why the associate pension will be less than $15,000 is that a woman aged 60 has a longer life expectancy than a man aged 60. When the member is a woman, the male, non-member spouse of the same age will receive $16,272 p.a.

The underlying value of the associate pension can be seen when its corresponding lump sum value is calculated using valuation factors published in the Federal Family Law Act regulations. A lifetime indexed pension of $13,828 p.a. paid to a woman aged 60 has a value of $13,828 x 15.7414 = $217,672. This is $60,172 more than would be obtained by commuting a standard Super SA pension of $15,000 p.a. **This additional value cannot be taken in the form of a lump sum and the reason is that this would see the non-member spouse able to obtain something that the member had never been able to obtain.**

Of course, if the non-member spouse wants to commute he/she can as long as he/she is prepared to accept normal commutation rates. Thus the Association has given people a real choice where previously they had only the choice of a pension that was going to stop when another person died (hardly a real choice) or a lump sum which was worth less than the pension.

**In this way the Association has also protected the member who otherwise would have been exposed to a claim for compensating division of other property.** –RH ⌘

## Proposal for a Fee Increase

THE Executive Committee has recommended that fees be increased as set out in the table.

| Fee | Current ($) | Proposed ($) |
|---|---|---|
| **Annual** | 6 | 8 |
| **Life Members:** | | |
| **Under 60 yr** | 120 | 160 |
| **60-65 yr** | 90 | 120 |
| **Over 65 yr** | 70 | 90 |

**If the fee changes are approved at the AGM on 23-2-2004 they will apply to all fees paid after that date. In accord with Clause 7.3 of the Association's constitution fees paid prior to the AGM will be valid for the relevant period.**

**Reason for the Proposed Increase**

During 2003 a decision was made to publish three newsletters per year instead of two. The cost of the additional newsletter is expected to be about $1100.

The advent of the third newsletter will, by itself, see the Association spending more, in 2004, than the current annual fee per member. Therefore it seems prudent to seek an increase in fees now. **The last annual fee increase was authorised at the AGM of 1997.**

Whether or not the AGM approves the fee increase the Association will continue to be in very sound financial shape for an organisation of its type. **The proposal for a fee increase is based entirely on a desire to manage the Association prudently in the long term.**–RH ⌘

## Members Living Outside Adelaide

IN September, a group of four Executive Committee members drove to Victor Harbor to meet with some of the 40 or so members who live in that region. Only six people attended which was a disappointment. However, the people who did attend were appreciative of the effort made and they listened with interest to the outline of Association activities which was presented to them.

The Executive Committee remains interested in the idea of promoting activities for members who live outside of Adelaide but the lesson from Victor Harbor has been that this will be difficult unless there is a real interest already in existence.

If you live outside Adelaide, and have an interest in getting together with other pension scheme members living in the same region, then contact the Association President to discuss how the Association might be able to assist you. One way might be for the Association to meet the cost of hiring a room for a meeting, and advertising the meeting in this newsletter.–RH ⌘

## Annual General Meeting of ACPSRO

THE AGM of the Australian Council of Public Sector Retiree Organisations (ACPSRO) was held in Canberra on 27-10-2003 and the Association President, Ray Hickman, attended as the Councillor for S.A. Superannuants.

ACPSRO's main activity in 2004 will be its campaign to persuade the Federal Government to adopt wage-based indexation for Commonwealth superannuation pensions.

The guest speaker was Senator Nick Sherry (Labor, Tasmania). Senator Sherry outlined the main features of Australia's retirement income policy and expressed a view that Australia was well placed to meet the cost of providing a reasonable level of retirement income for Australia's aging population. He does not support the view that the age pension age should be raised.

Senator Sherry is well aware of ACPSRO's campaign to obtain wage based indexation for Commonwealth superannuation pensions but he gave no indication of whether this would be agreed to by a future Labor government. He did say that he supported the principle that there should be consistency across Commonwealth and State superannuation pensions.

The foundation President of ACPSRO, Gordon Johnson, has stepped down and been replaced by Mr. Ron Dene. Gordon will continue on the ACPSRO Executive as immediate past-president. His contribution to the welfare of public sector retirees, made through his role as ACPSRO President, has earned him the respect of all ACPSRO Councillors. ⌘

## Super SA and Post Retirement Products

SA SUPERANNUANTS and the SA Government Superannuation Federation have long held the view that Super SA should be able to provide post retirement products and, in particular, allocated pensions for those government employees who receive some or all of their retirement benefit in the form of a lump sum. All other States provide these products.

Following a recommendation last year from the Senate Select Committee on Superannuation (Planning for Retirement) Inquiry approaches were made to Treasurer Kevin Foley. The treasurer has now informed us that he has had discussions with the Presiding Member of the Superannuation Board with a view to providing post-retirement products in the future.

He points out that further work will need to be undertaken by the SA Superannuation Board before these products can be made available.–VP ⌘

## Changes to Commonwealth Super

THE Commonwealth Superannuation Scheme (CSS) has announced the following changes to its rules.

1. When a CSS pensioner marries for the first time, or remarries after the divorce or the death of a spouse, the new spouse will qualify for a full reversionary pension after 3 years of marriage. A pro-rated reversionary pension will be payable during the 3 year qualifying period. The previous arrangement was that a new spouse did not qualify for any reversionary pension until 5 years had elapsed.

2. A married CSS member can now elect, at retirement, to receive a reduced pension in return for his/her spouse being entitled to a larger reversionary pension. CSS members already retired cannot make this arrangement and once the arrangement has been entered into it cannot be varied.

The CSS, like our pension scheme, is closed to new members. For this reason it is encouraging to see the CSS still making changes which improve the benefit.

Association representatives are sometimes told that, because our scheme is closed, we cannot expect improvements to be made. This is an ignorant attitude and we challenge it whenever we encounter it. **In fairness it must be made clear that the Government itself does not display this attitude.**–RH ⌘

## Correction

IN the August 2003 issue of the Newsletter an item appeared which was entitled 'Generous by Community Standards?' The item contained an error in the form of an incorrect table. The table, which the item should have included, is shown below.

| Funding Source | Pension Scheme | SSS |
|---|---|---|
| Employer | 20 | 15 |
| Tax Office | 0 | 2.7-5.7 |
| Employee | 6 | 6 |
| Total | 26 | 23.7-26.7 |

**Current Executive Committee**
*President:* Ray Hickman
*Vice-President:* Clive Brooks
*Secretary:* Vic Potticary
*Treasurer and Membership:* John Reddaway
*Committee Members:*
Mike Duff, Maureen Goodwin, Willy Hajszan, Don Prewett, Mary Schumacher
*Observer:* Brian Hannaford

## *Membership Form*

*Cut here and post to:*

John Reddaway, Treasurer
SA SUPERANNUANTS
7 Mead Street, Paradise, SA 5075

*Existing Life members should ignore this section (unless notifying change of address). Membership inquiries should be directed to John Reddaway, Tel 8337 2425.*

***Your membership category is on the envelope.***

**MEMBERSHIP 2004**

**Renewal 2004 / New Application / Life membership**

*(Delete as necessary)*

Please find enclosed the amount of $...........* for *S.A. Superannuants* Annual / Life Membership

FULL NAME (please print).......................................

.......................................................................

ADDRESS (please print)..........................................

.......................................................................

POST CODE................TEL....................

DATE OF BIRTH ...../...../19......

SIGNED......................................

DATE...../...../20......

***Fees:** Annual = $6. ***Life*** *(once only fee)* Under Age 60 = $120; Age 60-65 = $90; Over Age 65 = $70.

*(Receipts will not be posted unless a stamped, self-addressed envelope accompanies the application)*