South Australian Government Superannuated Employees Association Inc. *Trading as:*

S.A. Superannuants Established 1927

Newsletter

Issue No. 4
12 June 2001

President: Frank Morony
4a Le Cornu St Broadview SA 5083
Tel. (08) 8344 6123
E-mail: fjmorony@newave.net.au

Treasurer & Membership: John Reddaway
7 Mead St Paradise SA 5075
Tel. (08) 8337 2425
E-mail: reddaway@iweb.net.au

Secretary: John Carter
6/10 Mockridge St Golden Grove SA 5125
Tel. (08) 8289 3149

From the President

Much effort is going into examining extremely complex superannuation, taxation and Centrelink regulations with a view to identifying areas where the treatment of Public Sector retirees might be improved. We make no claim to being experts in the field, however, within the capacity of our limited voluntary resources every effort is made to protect and enhance the welfare of members.

We have been involved in submissions to Federal and State Governments covering indexation of pensions, more frequent adjustment of pensions, income splitting and various other matters.

We have also been part of an Australian Council of Public Sector Retiree Organisations (ACPSRO) delegation that gave evidence before the Senate Select Committee on Superannuation and Finance Services during February 2001. The hearing concerned indexation of preserved benefits and indexation of pensions after retirement.

Three representatives of the Association attended the October 2000 AGM of ACPSRO in Canberra. Senator Margaret Reid, President of the Senate, attended and showed real concern for the welfare of Public Sector superannuants.

It is pleasing to record that one of our members (Dr R J S Hickman) was elected a Vice President of ACPSRO. Another member (Brian Hannaford) is SA Govt Superannuation Federation President.

Since the business name SA SUPERANNUANTS was registered in July 2000 the new identity of the Association (formerly SAGSEA) has become well established. Current membership stands at more than 1,500 – nearly half being Life Members.

Our bank balance as recorded in the audited annual financial statement is a healthy $65,000. It should be remembered, however, that Life Members do not pay annual subscriptions, therefore a substantial reserve must be held to service these Life Members well into the future.

The cooperation of Super SA in promoting our Association is gratefully acknowledged. I look forward to continuing our excellent relationship with Super SA staff.

Frank Morony
PRESIDENT

Program

Date	Speaker
25-Jun-01	**Office of Public Advocate** Living Wills (Advance Directives)
30-Jul-01	**RAAF – Maritime Patrol Group** Wing Cmd Terry McKinnon
27-Aug-01	**SA Council of Social Service** State of the State – Poverty
24-Sep-01	**Australian Republican Movement** Mr G A Britton
29-Oct-01	**Office of Consumer & Business Affairs** Fair Trading Advisory Service
26-Nov-01	**Super SA** How things have changed (Followed by Christmas afternoon tea)
25-Feb-02	**Annual General Meeting** Speaker to be advised

Venue
The Pilgrim Centre, 12 Flinders St Adelaide
Adjacent to the Pilgrim Church
1:00pm – 2:30pm

Average attendance at the monthly meetings is around 100.

Twice Yearly Indexation At Last

The Treasurer announced in the SA Budget on 31 May 2001 that State Government superannuation pensions will be indexed twice yearly (in October and April) to lessen the effects of the indexation lag. The Association has pressed the State Treasurer for some time to introduce more frequent adjustments.

The practice of reviewing pensions only once each year has meant a substantial delay between price rises and the adjustment of pensions.

The real after tax benefit will be most obvious during periods of high inflation.

It was pointed out to the Treasurer that if CPI indexation of pensions is to truly reflect movements in prices the adjustment could be applied retrospectively the day after the end of each quarter. However, the introduction of twice yearly indexation is certainly an improvement on the existing annual adjustment.

Taxed vs Untaxed Super

The South Australian Superannuation Fund (Super SA) is an ***untaxed*** fund. No tax is deducted from either contributions or investment earnings while the money remains in the fund. On retirement, when you receive a benefit in the form of a pension, you must pay normal income tax rates.

Non-government schemes and some public sector schemes are ***taxed*** schemes. These schemes pay tax on contributions and/or investment earnings.

Members of taxed schemes may receive a lower retirement pension but they may have a higher after-tax benefit because:

- They qualify for a 15% tax rebate.
- Their Age Pension entitlement may be larger because superannuation income is reduced.

A member of the Committee, Dr Ray Hickman, has prepared a paper on this topic and SA SUPERANNUANTS is now trying to establish if the untaxed status of Super SA disadvantages some members. Enquiries are on the basis that any change in tax status should be optional.

Salary Sacrifice

Wage and salary earners are able to obtain a tax benefit by sacrificing portion of their salary to obtain certain fringe benefits. The regulations covering this arrangement are quite complex.

A member of the SA SUPERANNUANTS Committee (Mike Duff) has prepared a paper on the potential for this concession to be extended to Public Sector superannuants.

Extensive changes to Federal and State legislation would be necessary.

The paper has been submitted to the Australian Council of Public Sector Retiree Organisations (ACPSRO) for further consideration.

Insurance Premium Deductions

Health and General Insurance premiums can be paid by deduction from fortnightly superannuation pension payments.

It should be noted that if your existing payment arrangements include a discount (eg for direct debit to a bank account or for payment in advance) this discount may not apply to deductions from superannuation payments.

For further information contact Super SA on 1300 369 315 111.

Cost of Living Analysis

The cost of living for self-funded retiree households has increased less than CPI, according to the Australian Bureau of Statistics (ABS). Self-funded retirees (whose principal source of income is from superannuation or property) had the lowest cost increase of all categories analysed.

The objective of the analysis was to answer the question, *"By how much would after-tax money incomes need to change to allow households to purchase the same quantity of consumer goods and services as in the base period?"*

The article (part of ABS Cat. 1350.0) is available at www.abs.gov.au. It states that in the 2½ years June 1998 to December 2000 living costs for various categories increased as follows:

CPI (Average all capital cities)	8.5%
Wage & Salary Earners	8.6%
Age Pensioners	8.4%
Govt Benefit other than Age Pension	8.7%
Self-Funded Retirees	7.5%

ABS points out that these results may not hold over all time periods and the results may not reflect the experience of an individual household.

Editor's Note: The conclusions in the paper seem to be at odds with the findings of the Senate Select Committee on Superannuation and Financial Services. (See separate item: *Expectations Not Being Met*). As a matter of interest, CPI Adelaide, to which Super SA pensions are linked, increased 8.3% during this 2½ year period, compared with the all capital cities increase of 8.5%.

Expectations Not Being Met

The Chair of the Senate Select Committee on Superannuation and Financial Services, Senator John Watson (Liberal, Tasmania) has said that the expectations of Commonwealth superannuants for a 'reasonable and secure' retirement income were not being met by the use of the present indexation method. He concluded that: 'Commonwealth superannuants form an anomalous group who fall outside the safety net provided for age pensioners while sharing their vulnerability'.

He also noted that similar concerns applied to members of some State superannuation schemes.

The Select Committee has recommended that the Federal Government examine the feasibility of adopting an indexation method other than the CPI for Commonwealth public sector and defence force superannuation schemes to more adequately reflect the actual increases in the cost of living.

SA SUPERANNUANTS will be following the outcome of this recommendation.

Divorce

The Family Law Legislation Amendment (Superannuation) Bill has been passed by the House of Representatives and is now to be debated in the Senate.

The Bill enables divorcing couples to split their superannuation. It provides for divorcing couples to enter into a binding agreement on how superannuation will be divided. Alternatively, the Family Court can make a ruling on the division of superannuation.

Superannuation funds will be obliged to provide certain information to non-member ex-spouses and to fund members. Funds will be forbidden to reveal the address of either party to the former marriage or inform a fund member of an application for information by their former spouse.

After the Federal legislation is passed State legislation will have be amended to mirror the provisions of the Federal Act.

Much of the detail will be contained in the associated regulations rather than in the Act itself.

The new provisions will not take effect until one year after the legislation is in place.

Tax Changes

A new Senior Australians Tax Offset (or rebate) announced in the Federal Budget will reduce or eliminate income tax payable for some people. It is effective from 1 July 2000, consequently it applies to current year tax returns (2000/2001).

The offset is a reduction in the amount of *tax payable*, not a deduction from *taxable income*.

Space precludes reproducing complete details of the concession, but a broad outline is as follows:

Age Test:

- Australians who are aged 65 (male) or 61.5 (female) or more at 30/6/01.
- DVA veteran pensioners aged 60 (male) or 56.5 (female) at 30/06/01.

Income Test and Shade In:

Category of Person	No Tax Payable	No offset available *	Maximum Tax Offset
Single	$20,000	$37,840	$2,230
Illness separated	$18,882	$35,202	$2,040
Married	$16,306	$29,122	$1,602

* If you have a spouse and your income is above the cut out threshold you may still get a tax offset because of a transfer of the unused portion of your spouse's tax offset.

The threshold beyond which no offset is payable is as follows.

Taxable Income Threshold Test:

Category	Taxable Income
Single	$37,840
Illness separated	$70,404 (combined #)
Married	$58,244 (combined #)

Neither partner is eligible for a tax offset if their combined taxable income exceeds this threshold.

The Tax Office will calculate your offset amount from information provided in your tax return.

Enquiries should be directed to the Senior Australians tax infoline on 13 2862.

Other Budget Initiatives

Federal budget initiatives announced on 22 May 2001 that are of interest to retirees included:

- A one off $300 payment to people who collect the Age Pension
- Stamp duty abolished on the transfer of marketable securities (eg shares).
- Financial institutions Duty (FID) abolished.
- Company tax down from 34cents to 30cents (affects franking credits on share dividends).
- Health card and telephone allowance income test for single people of pension age is now $50,000 (couple $80,000).
- Cholesterol lowing drugs may not be subsidised in some circumstances.

Inflation is forecast to fall to 2% per annum.

State Budget initiatives announced on 31 May 2001 included:

- The council rate concession for eligible Age Pensioners and low-income earners will rise from $150 to $190.
- A $100 council rate concession will be introduced for self-funded retirees who hold a Seniors Card.
- Twice yearly indexation of State Government superannuation pensions. (See separate item.)

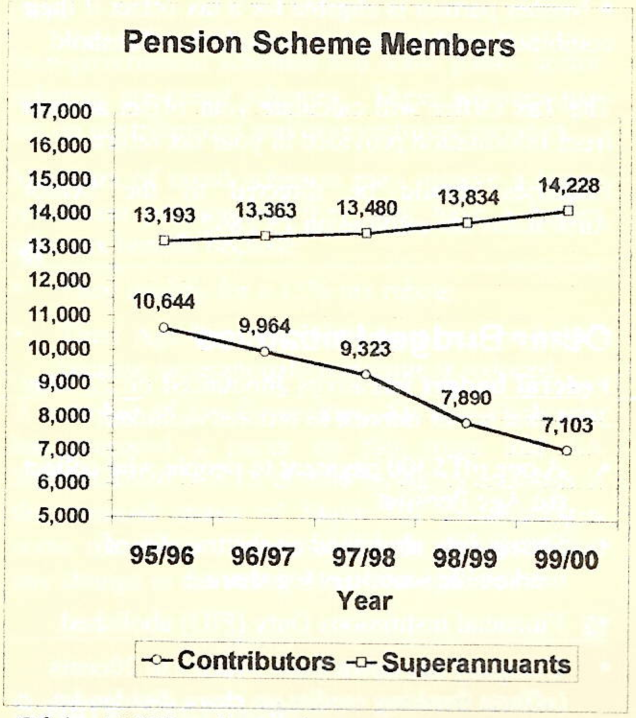
Adequacy of Spouse Pensions

The Committee is aware of some dissatisfaction with the level of the Surviving Spouse pension.

The options for improving the adequacy of the Surviving Spouse pension, beyond the present two-thirds of a deceased contributor's pension, are being explored.

Pension Scheme Numbers

The chart below illustrates that the number of contributors in the closed Pension Scheme fell by 3,541 in the past five years. The number of superannuants receiving a pension increased at a much slower rate (by 1,035) due to such factors as commutations, resignations and deaths.



Of the 14,228 retirees, about 11% are members of SA SUPERANNUANTS, but all Pension Scheme members benefit from our activities.

Eventually the Pension Scheme will be completely phased out.

AGM and Elections

SA SUPERANNUANTS' Annual General Meeting will be at 1:00pm on 25 February 2002 at the Pilgrim Centre, 12 Flinders Street Adelaide.

All officer and committee positions will be declared vacant and an election will be held.

Members are encouraged to seriously consider nominating for election.

Subscription Fees

SA SUPERANNUANTS Membership fees are:

Annual Membership

January to December.................. $6

Life Membership:

Under Age 60......................... $120

Age 60-65 .... $90

Over Age 65............................ $70

Surviving spouses are eligible and welcome to join. (See separate item: *Spouse Membership*).

Spouse Membership

A member's spouse is welcome to attend meetings of the Association as a guest of their partner.

Any person receiving a surviving spouse pension is eligible to join the Association.

At the next AGM it is proposed to amend the constitution so that in the event of the death of an existing Life Member the life membership will automatically pass to the surviving spouse without payment of any additional membership subscription.

The unused portion of Annual Membership will also pass to the surviving spouse of an Annual Member.

About Us

SA SUPERANNUANTS is an independent voluntary association for retirees who receive a Super SA pension. Its objectives are to:

- Keep members informed regarding superannuation and financial matters.
- Watch over members' welfare in regard to superannuation.
- Represent the interests of members through various affiliations and consultative forums.
- Provide a stimulating and congenial meeting place for Super SA pensioners.

The Committee

The following office bearers and committee were elected at the Annual General Meeting held on 26 February 2001:

President .... Frank Morony
Vice-President ... Vic Potticary
Secretary .... John Carter
Asst. Secretary.... Barbara Bray
Treasurer & ....
Membership . John Reddaway
Public Officer .... John Reddaway
Auditor .... Neville Smith (Crea & Co)

Committee:
Mike Duff
Maureen Goodwin
Ray Hickman
Max Kernick
Daphne Lerway
Don Prewett
Brian Hannaford (Observer)

Correct Address?

Please advise us if the address on your envelope is incorrect. Contact:

Treasurer/Membership Officer
John Reddaway
7 Mead St Paradise SA 5075
Tel. (08) 8337 2425
E-mail: reddaway@iweb.net.au