"Remember! The first line on the envelope address shows your financial status"—JR

South Australian Government Superannuated Employees Association Inc.

trading as:

S.A. Superannuants Newsletter

Established 1927

Issue No. 18
February, 2007

Website–www.sasuperannuants.org.au

President: Ray Hickman
24 Castle Street, Modbury, S.A. 5092
Tel: (08) 8264 4146
e-mail: raywen@bigpond.net.au

Treasurer/Membership: John Reddaway
7 Mead Street, Paradise, S.A. 5075
Tel: (08) 8337 2425
e-mail: rjreddaway@adam.com.au

Secretary: Vic Potticary
27 Torrens Street, Torrensville, S.A. 5031
Tel: (08) 8352 6504
e-mail: cosme@senet.com.au

From the President

ON the last parliamentary sitting day for 2006 the Federal Government introduced the enabling legislation for the superannuation proposals it announced in the May, 2006 budget. The legislation provides for a 10% tax offset on all untaxed source pensions including Super SA pensions. Debate on the legislation will continue when parliament resumes this year but the Labor Party has indicated its support for the legislation and so it appears very likely that, after 1-7-2007, a 10% tax offset will apply to Super SA pensions.

In 2006 the taxed fund issue continued to be our major activity but the Federal Government proposals for changes to the taxation of superannuation, once in place, will ensure that this activity uses up less of our energy in future. The availability of the 10% tax offset will mean that the taxation status of the State Pension Scheme becomes an issue affecting a smaller fraction of members than previously. Nevertheless, the Association is still watching it closely and it has taught us a lot.

2006 also saw some encouraging developments with funding of South Australia's public sector superannuation schemes and these are described in an item in the body of the newsletter.

Another important development has been a steady rise in membership to 1580. This is largely the result of flyers being distributed to all superannuants with the Super SA October mail-out, but also it is the result of existing members recruiting new members. I thank Super SA for its co-operation, and every member who has made the effort to recruit new members. It is vital for the Association to continue to increase its membership. I urge every member to promote membership of the Association whenever the opportunity arises.

Members who use the internet for banking and bill-paying will be pleased to read John Reddaway's item on the last page of the newsletter advising that the payment of fees can now be done electronically.

Ray Hickman

CPI Change: The Adelaide Consumer Price Index increase for June-December, 2006, was **0.76%** and this same adjustment will be made to Super SA pensions on and from the first pension payment date in April, 2007.

Annual General Meeting

Monday, 26 February, 2007, 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. Life membership proposal (Vic Potticary)
5. Change in the Association's Investment Strategy (see item *Changing the Association's Investment Policy*)
6. Election of Officers and Committee for 2007

Guest Speaker:

The Hon Vicki Chapman, MP
Deputy Leader of the State Opposition

General Meetings

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

Speaker Program: March-May, 2007

March 26: Centrelink, Aged care arrangements, accommodation bonds and fees.

April 30: Deane Crabb, Electoral Reform Society

May 28: Robert Kearney, Country Fire Service

Committee Membership in 2007 and Beyond

AT the AGM John Reddaway will be standing down from the positions of Treasurer and Membership Officer after 15 years of dedicated service. Other positions are also likely to be vacated in the next year or so.

Keeping the Executive Committee supplied with people willing to accept responsibility for representing the interests of members is not an easy task. However, I am confident that the Association has many years ahead of it as an effective advocate for pension scheme members.

Michael Evans, who joined the Committee at the 2006 AGM, has indicated his willingness to stand for election as Treasurer in 2007 and Willy Hajszan has agreed to take responsibility for membership matters. I am optimistic that as other positions are vacated competent and interested people will come forward to fill them.

Executive Committee meetings are held on the same days as General Meetings (the last Monday of each month, February to November inclusive) and from 10.30 a.m. until noon. I urge members who are in a position to attend most Executive Committee meetings to consider putting themselves forward for election to the Committee at the AGM.

The work done by the Executive Committee is quite varied and interesting. Our regular activities involve writing and distributing newsletters, arranging guest speakers for meetings and keeping up affiliations with other organizations (see the following item).

On top of this there are what might be called our 'irregular activities'. For example, we watch for changes to state legislation and respond where that is appropriate. We also monitor trends in federal government taxation and retirement income policy. It has been S.A. Superannuants, more than any other similar organization, which has highlighted the disparity between taxation arrangements applying to untaxed source pensions and those applying to the more common, taxed source pensions. *RH*

Public Sector Superannuation Organisations

NOT long after joining the Executive Committee new members begin to hear about 'The Federation' and 'ACPSRO'. Most people ask for an explanation of what these terms refer to and this suggests that most of the Association's membership is probably unaware of the fact that the Association is affiliated with more broadly-based organizations.

The Federation: this is the name given to *The South Australian Government Superannuation Federation.* It consists of mainly of unions but its rules provide for membership by retiree organizations and S.A. Superannuants is currently the only retiree organization belonging to the Federation.

The Federation is recognised by Government, and in legislation. Its importance is shown by the fact that it nominates one member of the Board of Funds SA, the organization responsible for the investment of the assets held by the State's public sector superannuation funds.

When superannuation legislation comes before the State Parliament it is common for both government and non-government MPs to seek the Federation's views on the legislation. Through its membership of the Federation, S.A. Superannuants has an increased opportunity to be involved in the legislative process.

The Federation rules provide for members to act independently of the Federation and S.A. Superannuants is well known for being prepared to do this. But we always make our best efforts to do this correctly.

ACPSRO: this is the acronym for *Australian Council of Public Sector Retiree Organisations.* S.A. Superannuants is an affiliate of ACPSRO. The other affiliates include the *Superannuated Commonwealth Officers Association*, organizations representing defence personnel and organizations representing members of other state government pension funds. ACPSRO meets in Council once a year and, between its annual meetings, ACPSRO affairs are run by an executive committee based in Canberra.

It is ACPSRO that is doing the bulk of the work on attempts to change the indexation arrangements applying to public sector pensions and on income-splitting of these pensions for tax purposes.

The Federation and ACPSRO both provide an opportunity for S.A. Superannuants committee members, who are interested, to participate in some robust interactions with unions, government, opposition and the public service bureaucracy. *RH*

Changing the Association's Investment Policy

THE Association has always kept its excess funds invested in bank term deposits. Now the Executive Committee has made a decision to invest about one third of these funds in the share market.

The reasoning behind this decision is that

a) the Association reserves are likely to be held for many years without being needed to meet recurring costs.
b) term deposit interest is taxed at 30% and this means that the Association's net return is only about 1% above the inflation rate.

By investing one third of our reserves in the share market we will be likely to achieve substantially better real investment returns over the long term than is available from exclusive investment in term deposits. The investment of Association funds has been made an Agenda item for the Annual General Meeting. *RH*

Developments in Superannuation Funding

IN 2006 there were three significant, and positive, developments in the funding of South Australia's public sector superannuation schemes.

1. Funding of the pension and lump sum schemes: the Superannuation Act 1988 covers both the pension and lump sum schemes. For the first time the value of assets supporting the pension and lump sum schemes ($4.74 billion) now exceeds 50% of the value of the liabilities for the two schemes ($9.06 billion). This is a consequence of continued funding for past service liability by the State Government, several years of very good investment returns and a once-only payment of $464 million made by the Federal Government (see point 3 below).

2. Total superannuation funding: the pension and lump sum schemes are still a long way from being fully funded and so it is interesting to note that, at 30 June, 2006, the total value of assets held in all the South Australian public sector superannuation schemes (Pension and Lump Sum Schemes, Southern State Superannuation Scheme (SSS), Parliamentary Scheme, Judges' Scheme and others) was about $10.5 billion. This means that the value of these assets is about to overtake (or may have already overtaken) the value of the State's annual operating expenditure.

The experience of the SSS is very illuminating. This scheme has operated for less time than the pension scheme has been closed. It commenced the 2005/6 financial year with assets of $3.5 billion and at year's end assets held were $4.6 billion including $670 million earned on investments.

If the pension and lump sum schemes had been fully funded the investment earnings in 2005/6 would have been about $1.6 billion. This is enough to pay benefits for both schemes for about three years. Admittedly, investment returns last year were very high (19.75% p.a.) but even at much lower annual returns investment income from a fully funded scheme has the potential to substantially reduce employer costs. This is because, with schemes like the pension scheme, it is the employer, and not the member, who receives the advantage of good investment returns.

It is occasionally said that the pension scheme is not fully funded because it has a relatively high cost for government. In my opinion, it is more accurate to say that the pension scheme has a relatively high cost for government **because** it is not fully funded.

3. Commonwealth funding of state super: the Commonwealth Government is responsible, in part, for funding the benefits of some pension scheme members. In particular, members who were once state railway employees and members who were employees of state higher education institutions.

For the case of the former state railway employees the Commonwealth has now made a payment of $464 million to the S.A. Government and this extinguishes its liability for these employees. This payment has helped reduce unfunded liability.

All these positive developments in funding are very welcome, particularly the continuing move towards full funding of the pension scheme. *RH*

Members' Column

15 September, 2006

Dear Mr. Hickman,

I'm afraid I am floundering badly in trying to understand the superannuation proposals and counter proposals referred to in various issues of the newsletter, and am hoping you can enlighten me. My problem is that I do not understand what is meant by taxed sources and untaxed sources. Opportunities to discuss the question with other ex-SA public servants have been limited, but when they have arisen, I have found that the other person does not know the answer either.

Can you please answer two questions for me:

1. I joined the Super Fund in 1953 and retired in 1983 at age 58 after serving in Mines, Education and Courts Departments. Is the pension I have been receiving ever since and which is currently around $38,000 p.a. from a taxed or untaxed source?
2. Are the Federal Govt. proposals to be applicable to persons who have already retired (that is, me) or only new retirees?

Surely they cannot mean that, if passed, as a married "Barney" I will effectively get a pay rise of $60 or so a week, tax free, from 1 July next year? Sounds too much like a tooth fairy story to be true!

Yours sincerely

A.J. "Tony" STARKE - Life Member, Gawler.

* * *

Hello Tony,

Your pension paid to you by Super SA is paid from an untaxed source. After 1-7-2007, assuming that the Federal Government proposals are passed by both Houses of the Federal Parliament, you will become eligible for a tax offset on your pension of $3,800 p.a. You will receive an increase in your net income of about $73 per week. The fact that you have been retired for 24 years will not stop you getting this improvement in your income. This might sound too good to be true but this is what is intended to happen.

Your case is an interesting one because you retired in 1983. Anyone with the same service history as you, but who is a member of the corresponding pension fund in either NSW or Victoria and who also has a pension of $38,000 p.a., will pay no tax on that pension after 1-7-2007.

Even though the improvement that you, and many other members of the S.A. pension fund, are due to get next year might seem too good to be true

it is really only a partial catch-up in respect of a saving that most other Australian superannuants have been getting for many years. When you get this extra money you can be sure that it is something you are fully entitled to receive. It will cost the State Government nothing because the income improvement comes courtesy of the Federal Government in the form of reduced tax that it will collect from you after 1-7-2007.

This business of taxed and untaxed sources is complicated and this complexity has meant that the full implications of the taxation status of South Australian pensions have not been well understood by members. But the Federal Government proposals have cut through this complexity by delivering a tax saving to you by a method much simpler than changing Super SA pensions from untaxed to taxed. There may still be gains to be made from changing some of the South Australian pensions from untaxed to taxed. This is for the South Australian Government to decide and the Association is watching this closely.

Cheers,
Ray Hickman

* * *

Dear Ray,

Thanks for the prompt and comprehensive way you dealt with my message. The penny has now dropped and I think I get the picture. I also now understand just what you have been arguing about on our behalf–and for that, also, a belated thanks. I certainly had not appreciated how much we were disadvantaged in comparison with NSW or Victoria.

With Beasley tentatively giving support, and given the government majority, the odds of the proposals passing must be high. However I will not count the chickens or break open the Moet yet–just got to make sure I live long enough to enjoy it! Again thanks.

TONY STARKE

Current Executive Committee
President: Ray Hickman
Vice-President: Clive Brooks
Secretary: Vic Potticary
Assistant Secretary: Christine Venning
Treasurer and Membership: John Reddaway
Committee Members:
Lawrie Bennett, Michael Evans, Maureen Goodwin, Willy Hajszan, Estelle Scott (3 positions unfilled)

From the Treasurer: Membership has received a boost with more than 100 new members joining as a result of the 'flyer' included with the October Super SA Newsletter and another 50 or so recruited by members. We also 'caught up' with four or five people who had lost touch with us through changing addresses over the years, so they are now back on the books and will be kept informed about our activities and what is happening in the world of superannuation. Remember, if you have friends receiving an SA superannuation pension, encourage them to become members also, for the more members we have, the louder our voice when we raise issues with politicians.

Over the years members have asked "Can I pay my membership with my credit card?" Unfortunately no, we are not set up to receive credit card payments, plus the costs associated with such a scheme make it unviable. However, in an endeavour to make membership payments easier, the committee has endorsed the method of paying electronically. Our bank is **Bank SA** and other details are as follows:

BSB 105-900,
Account number 950313840,
Account name SA Superannuants.

PLEASE REMEMBER TO INCLUDE YOUR SURNAME AND INITIALS IN THE PAYMENT DETAILS. We have members with the same surname and a few with the same initials.

Please note that Membership forms should now be sent to Willy Hajszan at the new address indicated on the form.

The books of the Association are with the Auditor so if you have paid your subscription recently then the 'paid to' date shown on the envelope may be wrong because I have yet to record your payment. *JR*

Membership Form

#Cut here and post to:

SA SUPERANNUANTS
8 Eden Court, Aberfoyle Park, 5159
Existing Life members should ignore this section (unless notifying change of address). Membership inquiries should be directed to Willy Hajszan, Tel 8387 2076.

Your membership category is on the envelope.

MEMBERSHIP 2007

Renewal 2007/New Application /Life membership
(Delete as necessary)

Please find enclosed the amount of $....……....OR

I have made an electronic payment of $……………

For *S.A. Superannuants Annual/Life Membership*

FULL NAME (please print) ....

ADDRESS (please print)……..………………………

…......................................……........ Post Code......

Tel.:……………….….. Date of Birth....../…../19……..

SIGNED..................................……………….....

DATE..…../……..../200.....

***Fees:** Annual = $10. Life *(once only fee)* Under Age 60 = $200; Age 60-65 = $160; Over Age 65 = $110.

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