# PS Superannuants

The Association of Public Sector Superannuants Inc.
Formerly SA Superannuants
Established 1927

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The Hon Rob Lucas MLC
South Australian Treasurer
State Administration Centre
200 Victoria Square
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10 December 2021

Dear Mr Lucas,

Thank you for your reply of 13 October to the Association's proposal for a period of income maintenance for the partners of deceased Pension Scheme members.

The Association appreciates that the question of cost is always important but it is disappointing to have you reject our proposal on cost grounds without indicating what you believe that cost would be.

It is disappointing too that the effort required for legislative change is offered among the reasons for not considering our proposal, and of concern that 13,928 people would be characterised as "those few remaining members" of the Pension Scheme, as though the personal circumstances of these South Australians in their retirement were no longer of any concern or interest to the government.

We would appreciate your assurance that such an inference would not be valid.

We have also noted your assertion that Pension Scheme retirement benefits are "considerably more generous" than those of the Triple S. On this point we agree that a pension scheme member retiring at age 60 or more today, after 40 years' service, is better off than a Triple S scheme member also retiring today at the same age and with the same period of service.

However this Triple S scheme member would have had the option of joining the pension scheme and must have declined to do so. This was the case with many government employees in the years preceding the closure of the pension scheme in 1986. Board reports for these years refer to its largely unsuccessful attempts to promote membership to tens of thousands of eligible state government employees who were not members. The main reasons for this reluctance to join would have been the requirement to make a personal contribution of 6% from after-tax salary, lack of vesting for the employer component of the pension, the requirement to remain in government service until retirement age and low commutation rates (when they eventually became available). The latter ensured that estate values of pensions would be low.

The Association considers anyone claiming that the pension scheme can be considered, today, to be more generous than the SSS must back that claim up by estimating retirement incomes that SSS members who commenced employment in 2000 (when the S.G. reached 9%) will have when they retire after forty years' service during which they have made personal contributions equivalent to 6% from after-tax salary for 30 years. The comparison must also take account of age pension, income tax and the Medicare levy.

The Association has made the comparison described in the preceding paragraph and it is set out in our 2020 submission to the Commonwealth's Retirement Income Review. The full submission is posted on the Association's website on the 'Matters of Interest' page and can be opened directly using the link https://www.sasuperannuants.org.au/wp-content/uploads/2020/03/Submission-main-document2.pdf

Based on our comparison we drew the following conclusions

- The Federal Government usually pays, at the start of retirement, more in age pension to SSS retirees and others with equivalent account-based pensions than to corresponding retirees in receipt of a South Australian untaxed-source defined benefit pension. The gap gets greater throughout retirement.
- Most SSS, and other account-based pension recipients, are likely to receive a full age pension for a substantial part of their retirement while very few South Australian pension recipients will do so.
- Most SSS, and other account-based superannuation pension recipients, will never pay tax or the Medicare levy. Most people receiving a South Australian pension are likely to do so for most, or all of their retirement.
- SSS and other account-based pensions are likely to contribute substantially to estate values when the pension recipient dies. This is rarely the case for a South Australian pension recipient.

We have noted in the Retirement Income Review Report suggestions that the S.G. is already set at an appropriate level with future increases not being warranted. There is also reference to the growing frequency with which superannuation savings are making up a substantial part of many bequests. These aspects of the report are consistent with our conclusions.

We would not dispute that the employer contribution needed to fund untaxed-source Super SA pensions is greater than the current S.G. rate. However, if our analysis is near the mark, it is clear that most of the additional employer contribution is flowing to the Federal Government in extra tax paid by the pension recipients and the lower Centrelink payments they receive. We assume, and hope, that some of this windfall is being returned to South Australia via Federal Government grants.

The analysis from which our conclusions have been drawn is complex and if there are serious flaws in it the Association will be only too glad to have them pointed out. So far, we have had none pointed out to us. If we do we will expect the information and argument that reveals the flaws, and the differences arising from them, to also be provided.

In the meantime the Association intends to go on encouraging its members, in receipt of untaxed-source pension income from both the South Australian and Federal Governments, to think of their pensions as being:

1. High quality retirement income streams mainly because they made a substantial contribution from their discretionary income
2. Income streams that can be fairly described as 'good, but not better than the S.G'.
3. Retirement benefits that SSS members, and most other Australians today who commenced employment since around 2000, would decline in favour of the S.G. This would be for the same reasons that so many state government employees declined to join the pension scheme when it was still open.

Yours faithfully,

Brenton Pain
Secretary

Cc Ms Dascia Bennett, CE Super SA