Issue 63 **February 2022**

THE SUPERANNUANT

Newsletter of the Association of Public Sector Superannuants Inc.
Formerly SA Superannuants established 1927
https://www.pssuperannuants.org.au

Membership Applications/Renewals
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General Correspondence
The Secretary, PS Superannuants, GPO Box 2036, Adelaide SA 5001
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From the President

Superannuation Advisory Group – Thanks to the hard work and expertise that Ray Hickman has given to this project, the Advisory Group is up and running. We anticipate progress on a range of our Key Directions issues and other matters the group is considering.

Reversionary Rate of superannuation payments – having been denied our request that the South Australian Government adopt the same approach as the Commonwealth following the death of a member and continue the payment to the surviving spouse/partner at 100% for up to 7 pays, we responded with further detailed arguments to Treasurer Lucas but he remains of the view that further amendment to the existing rules are not warranted. We will continue to push our case.

PS Superannuants Newsletter and Website – Peter Frick has taken over the role of editor of our newsletter *The Superannuant* as well as continuing to work with our website designers to ensure that the website provides a source of current information and interesting items.

PS Superannuants – thanks to a lot of hard work by Secretary Brenton Pain, and Treasurer Mike Evans, we were finally able to sort things out and now have our officially registered new name.

Victorian Sub-Committee – in recognition of the number of members we have in Victoria, we recently approved the creation of the Victorian Sub-Committee and appointed John Barret as the Convenor of the Sub-Committee. The Sub-Committee provides a point of contact for Victorian members and a focus for meetings so members can gather to hear local guest speakers and discuss matters of interest. Congratulations to John and everyone involved.

Members Lunch – while the number in attendance could have been bigger, the lunch at The Metropolitan Hotel in November was enjoyable event. We shared a meal in a relaxed setting and were looked after by the people at The Metro who provided delicious food and friendly efficient service.

Guest Speakers – we enjoyed a range of very interesting guest speakers throughout the year, thanks largely to Ian Beckingham who set up the dates, sent invitations to our list of speakers, and followed up with phone calls and emails to ensure their attendance.

Membership – Max Jahn, our Membership Officer reports our total membership is around 1750, with some 270 of those identified as Commonwealth people.

Finances – our experienced Treasurer Mike Evans continues to do a sterling job keeping our finances in order. Donations towards our Fighting Fund are still trickling in thanks to the generosity of our members.

Thank You to The Committee – A big thanks to all the members of the Committee for their support and work throughout the year. A lot of effort goes in to pursuing the issues on behalf of members and to generally running things. A special thank you to outgoing Secretary Brenton Pain for his professionalism, his untiring efforts and attention to detail in that role. We wish you well Brenton.

Committee Vacancies – we are looking for someone to take over the role of Secretary. If you have an interest in superannuation and related matters and you are able to dedicate 2 or 3 days a month, please consider putting your name forward. Contact me or Brenton for a job description. Or you might like to think about joining the Committee to participate in the running of The Association. Again, please speak with me or any of the Committee members.

Take Care – *James Vandenberg*

In This Issue of *The Superannuant*

Forthcoming Adelaide Meetings

Meetings in Adelaide are held at 1:00 pm, at Mead Hall, Flinders Street Baptist Church, 65 Flinders Street Adelaide. Please book for each meeting you are attending, by phone or text to 0401148751, or email brenton.pain@outlook.com.

The Victorian Sub-Committee is now planning the first meeting in Melbourne and will contact Victorian members directly.

February 28 - Annual General Meeting

Agenda

1. Apologies
2. Minutes of the previous AGM
3. Annual reports
4. Recommendations for Honorary Life Membership
5. Election of Committee
6. Guest speaker **Senator Rex Patrick**, Senator for South Australia

Senator Patrick will talk to us about "Investing in Australia's Future" and focus on his vision for Australia and the pathway to get there.

March 28 - Chief Executive Officer of Health Partners, **Byron Gregory**, will speak about "The place of Private Health Insurance within the Australian Health System".

May 2 - guest speaker to be confirmed.

May 30 - Association member **Geoffrey Lindell** AM, Emeritus Professor of Law, University of Adelaide, will discuss "When and why Ministers should resign for misleading and losing the confidence of the Parliament".

Membership Officer's Report

Annual membership is due.
Once again the end of the year has arrived. Our membership is hovering around the 1700 full members, with partner members at 163.
525 of the full membership are annual members, but 230 are now unfinancial as at the end of this year. Also there are 22 unfinancial partner members. We do not want to lose you either.
Please get your renewal in if you are an unfinancial member, to save me having to send you a special reminder letter, and thus saving us the extra expense.
Max Jahn Membership Officer

Committee and volunteers 2022

Nominations received for the 2022 Committee are listed below.
President: James Vandenberg
Vice-President: no nomination
Secretary: no nomination
Treasurer: Michael Evans
Membership Officer: Max Jahn
Guest Speaker Co-coordinator: Ian Beckingham
Assistant Secretary: no nomination
Committee member (6 positions): Peter Fleming, Barry Grear, Lindsay Oxlad, Roger Donnelly, Charles Tucker

Members who have volunteered to assist the Committee are:
Eileen Pritchard: Committee Observer
Keren Wicks: Committee Observer
Ray Hickman: Research and Information, Advisory Group
Peter Frick: Website Manager, Newsletter coordinator, Public Officer
Brenton Pain: ad hoc assistance

The Committee gratefully acknowledges the guidance of
Superannuation Advisory Group Members Ray Hickman (convenor), John Pauley (ACPSRO and Tasmanian Association of State Superannuants), Ron de Gruchy (SCOA Western Australia), Trevor Nock (adviser to the former SCOA Australia), Victorian member Richard Clough and SA member Barry Apsey, and the advice and support of **Victorian Sub-Committee** members John Barrett (convenor), Don Campbell, Barry Schafer and Peter Cockrum.

A Message from the Treasurer

In the May 2021 Newsletter, I wrote of the need to assure the Association's financial future, asking members to make voluntary donations in addition to their membership dues. You, our members, have responded to this appeal very generously and last year you contributed over $5,000. For this we are extremely grateful. Some donations far exceeded anything we could have hoped for, several donations of $100 and one of $150.
However, the problem is an ongoing one, the threats to our future that I mentioned in my original article still threaten the Association and its members. So, we the Committee renew our appeal for donations, we ask that members, annual and life, consider donating $10 or more to the Association. For electronic transfers our BSB is 105-900, account number 950 313 840, name PS Superannuants; please mark it Donation. Cheques or money orders can be sent to PS Superannuants, Postage Paid 85714, P.O. Box 348, Modbury North, S.A. 5092.
Michael Evans, Treasurer

Untaxed Source Superannuation

CSS, PSS and Super SA pensions are often referred to as being benefits that:
a) are generous compared to the community standard of the Superannuation Guarantee (S.G): and
b) provide us with a tax advantage over other retirees;

The first listed of these characterisations has been the subject of two items published in earlier issues of *The Superannuant* (February, 2021 and May, 2021). The Association's position on the generosity of the pensions, compared to the Superannuation Guarantee, is that they are 'Good, but not better than the S.G.'

This item deals with the second characterisation of the pensions as providing their recipients with a tax advantage over other retirees. For anyone to say this might seem odd given that the pensions remain taxable income for life when other superannuation pensions become tax-free at age 60. Presumably, supporters of this claim are attaching great significance to the three pensions having in common that the major, and employer-funded, part of each pension is paid from an **untaxed source**. Briefly stated, this term means a source that has not paid either the superannuation contributions tax of 15%, or the tax on earnings of up to 15%, prior to pension commencement. For most other superannuation pensions these taxes have been paid before the pensions commence and those pensions are described as coming from a taxed source.

But what about:
1. tax that has been paid on member personal contributions before retirement; and
2. tax that is paid on the pension itself during retirement; and
3. tax that is paid on non-superannuation income during retirement?

Something that is rarely acknowledged is the fact CSS, PSS and Super SA pension recipients have made personal contributions from their after-tax income during their working lifetimes. This means that the contributions, when received by ComSuper, or Super SA, have been taxed at the person's marginal tax rate, plus the Medicare levy. This would usually be at a rate of at least 34.5% which is more than twice the highest superannuation tax rate of 15%.

So the reality is that, as far as personal contributions and tax is concerned, people with CSS, PSS and Super SA pensions have paid more tax than other retirees.

The untaxed source for Super SA pensions: all contributions from members and employers are paid to the State Treasurer who transfers them to the Superannuation Funds Management Corporation of South Australia which holds them in accounts that are subject to **'constitutional protection'.**

The main effects of constitutional protection are:
- All contributions, and the subsequent earnings of them, become property of the State Government rather than of a Trustee subject to regulation by the 'Australian Prudential Regulation Authority' (APRA).
- The earnings of the member contributions are not subject to the superannuation earnings tax of up to 15% p.a. and employer contributions are not subject to either a contributions tax or earnings tax. Consequently, assets held in a constitutionally protected account make up an untaxed source.

Constitutional protection exists due to a constitutional limitation on the Federal Government's taxation power. In 1992, the High Court of Australia ruled that the Federal Government could not tax the property of a state. In anticipation of this decision the South Australian government at the time had legislated to declare that assets of its public sector super funds 'belong (both at law and (in equity) to the Crown' (Section 17(2), Superannuation Act 1988). In this way the South Australian funds have escaped paying tax but at the cost of members paying more tax on receiving their benefit than other retirees. For pension scheme members their fund escaped taxation at a maximum rate of 15% but left the members to pay tax on their pensions at much higher marginal income tax rates. **On the Association's assessment most SA pension scheme members have been disadvantaged by constitutional protection.**

The untaxed source for CSS, PSS pensions: CSS and PSS member contributions are paid to the Commonwealth Superannuation Corporation (CSC). Unlike Super SA, CSC is a trustee entity subject to APRA regulation. The earnings of member contributions are subject to the superannuation earnings tax. Both these Commonwealth pension schemes have an employer-funded productivity component of 2-3% of salary (depending on salary level) that has been getting paid since 1990. This is also paid to the CSC and is subject to contributions and earnings tax.

There is some ambiguity about other employer funding of CSS and PSS pensions. The Association has seen copies of pay slips that specified amounts for employer contributions in addition to the productivity component. And yet the 2020 CSC annual report (p 75) refers to its CSS scheme by saying:

> 'The accumulation benefit is formed by customer and productivity contributions and fund earnings. The defined benefit is formed by the unfunded employer component, which in

most cases is paid as a lifetime non-commutable indexed pension.'

The writer is satisfied that the only employer funding of the CSS and PSS schemes that occurs ahead of pension commencement is the productivity component. Once pensions commence the employer funds the untaxed-source component from general revenue. **This is the second type of untaxed source** for superannuation pensions. The Tasmanian Government also pays the major part of its defined benefit pension from general revenue which puts that pension in the same category as the Super SA, CSS and PSS pensions. Like the Commonwealth pensions Tasmanian member contributions are subject to superannuation tax prior to pension commencement and are not held in accounts subject to constitutional protection.

We saw earlier that taxation arrangements applying to CSS, PSS and Super SA pensions work well for the Federal Government while people are at work. The pensions also work well for that government once they have commenced. The untaxed-source component of the pensions increase tax revenue and reduce age pension costs compared to what would be the case if the pensions were delivered from a taxed source. Tax revenue is further increased when any non-superannuation income (including age pension) is added to the pension income and taxed at the marginal rate for the combined income.

It is true that pensions with a substantial untaxed-source component have a larger gross value than would be the case if, prior to retirement, the superannuation taxes had been paid on the same amount of employer funded contributions needed to fund the larger pension. But the maximum reduction needed to fund the smaller taxed-source (and tax-free after 60) pension would be 15% (usually less than this). Any non-superannuation income is then taxed as if it is the only income.
If the pension reduction is (say) 10% then, where people are eligible for an age pension payment, they will recover 5% (half) of this reduction in the form of increased age pension on which they will also not pay tax. Elimination of tax and Medicare levy on both superannuation and age pension income will, in the large majority of cases, see the smaller taxed-source pension deliver more net income than the larger untaxed-source pension.

The role of the future fund: the writer sees this as the Federal Government's equivalent of South Australia's constitutionally protected superannuation system. It provides a place where money that the Federal Government could have used to fund its superannuation liabilities is being held rather than being in the hands of a trustee that would have a legal obligation to use it in the best interests of members.

Concluding comment: the two facts that members of CSS, PSS and Super SA pension schemes have paid their personal contributions from after tax salary, and that the Federal and South Australian governments are contributing their employer contributions from untaxed sources, are both highly unusual on the Australian retirement income scene. This is a good reason for having an organisation focussed on representing the interests of people in receipt of the pensions. **No other retiree lobby group is going to do this.**
Ray Hickman

Q Super Lifetime Pensions

Readers may have noticed, in the business section of the Sunday Mail of 18 July, 2021 a Noel Whittaker item *'How age pension changes now affect you'*. In this item Noel Whittaker gives an indication of how lifetime pensions now available from the Queensland Government's superannuation office, QSuper, will interact with the age pension system. He uses the QSuper pension as an example of what he describes as *'the new lifetime pension products that are becoming available as a result of government urging.'* These are often referred to as *'Comprehensive income products for retirement'* (CIPRs).

Besides the income security that goes with them, the other feature that will attract people to pension products like the QSuper pension is the means testing of the asset used for their purchase. In the Noel Whittaker example, $300,000, out of a 70-year-old couple's $900,000 superannuation account balance, is used to purchase a $20,000 p.a. lifetime pension. This amount is adjusted annually according to the investment returns on the asset pool that is backing QSuper's lifetime pensions, and on other factors. The annual amount is expected to increase, over time, but this is not guaranteed. It might be more, or less, than the CPI.

For six months after the QSuper pension commences the purchaser has the option of discontinuing with it. After that time, it is in place for life. The pension comes with a guarantee that the amount used for its purchase will flow back to the couple as pension payments, or, if both have died before this, the difference will be paid to an estate.

The couple's use of $300,000 to purchase the lifetime pension leaves $600,000 to support an account-based (allocated) pension. The $300,000 is then counted in the asset test, not as $300,000, but 60% of this amount ($180,000) up to life expectancy, and 30% ($90,000) from then on. The QSuper website at https://qsuper.qld.gov.au has a lot of information about the lifetime pension and calculators to assist people considering whether or not to make a purchase. **Of course, anyone contemplating purchase of a product like the QSuper pension should, before committing, consult a licensed financial adviser.**

Reducing the asset value from $300,000 to $180,000 sees the couple move from being just over the cut-off point of $884,000 (that applied when the Noel Whittaker item was published) to $780,000. For each $1,000 below the cut-off an age pension entitlement of $78 p.a. is created and so the couple goes from $0 p.a. age pension, plus a Commonwealth Seniors Health Card, to 104 x $78 = $8112 p.a. age pension plus the Pensioner Concession Card. This $8,112 p.a. is an additional age pension cost borne by the Federal government over its cost if the couple retains the $300,000 in an allocated pension account.

If the couple foregoes buying the lifetime pension they will have to draw down $28,112 from the $300,000 in the allocated pension account to make up for the age pension income that goes with the QSuper pension. If the allocated pension account earns about 6% this would see the balance drop to about $290,000 after the first year and, if the maximum age pension increases by 2%, the asset test cut-off point that accompanies this will also increase and the couple is then likely to be eligible for an age pension payment.

For people with Super SA, CSS or PSS pensions, who also have significant superannuation account balances, **and are asset tested**, an additional factor for them to consider, and put before their financial adviser, is the fact that age pension income is taxable. If tax and Medicare levy was being paid on the Super SA, CSS or PSS pension, before the lifetime pension was purchased, any additional age pension will be reduced by tax and Medicare levy.

For income test purposes 60% ($12,000) of the QSuper $20,000 p.a. pension income is counted. Where people are income-tested there will be no age pension advantage unless deeming rates increase significantly. For example, if the $300,000 remains in an allocated pension account the deemed income associated with it will be only 56% ($6750 p.a.) of the QSuper income.

It will be interesting to see the uptake of these pensions and, if it is slow, whether the Federal Government increases its age pension subsidy through further relaxation of the asset test that applies to them. Amid all this complexity there is one thing that is clear – products like the QSuper pension are going to be welcomed by financial advisers. *Ray Hickman*

Website news

Our new name is now part of our web site. The new URL is: pssuperannuants.org.au although we have set it up so that the old URL will still take you to the updated pages as well as the new.
As a paid up member you have access to the member's portal which has content available only to you. It for example has the minutes of all executive meetings. It is a great way of keeping up with what the executive is discussing each month. Also on the site is the Speakers Corner where you are able to view most of our speaker's presentations. Again I ask that you keep me up-to-date with any changes to your e-mail address as otherwise you may miss out on crucial information from the association. One other small matter is to keep an eye on your e-mail account. Occasionally we get bounce backs due to over full in boxes. To contact anyone on the executive the generic e-mail address of sasupera@gmail.com will ensure that they receive your communication.
Peter Frick

Requests and Representations

- As noted in the President's address, the SA Treasurer did not support our request to pay the equivalent of the full pension to the bereaved spouse or partner for a period after the death of an SA Pension Scheme member, as the Commonwealth schemes do.

The letter signed by the Treasurer said that the retirement benefits from the pension scheme were "already considerably more generous" than the Triple S.

The Association responded with its analysis of the supposed generosity of the Pension Scheme, taking all factors into account, and some relevant information on the history of the scheme. (*Superannuant* readers will be familiar with the "Good but not better than the SG" discussion in previous newsletters.)

The Treasurer replied that he had noted the additional information provided and that the SA government had no control over some matters, such as age pension, income tax and Medicare levy, and the SA government continued to think that the Pension Scheme should operate under its existing rules.

- With the Association now "re-branded" in its new name, a short letter has been emailed to all South Australian and Federal politicians introducing PS Superannuants. The letters briefly say who we are, how our government pensions are different from conventional superannuation, and ask for the Association to be consulted directly on matters concerning public sector superannuation.

As this edition of the newsletter is being prepared the Committee is working on our next two approaches to politicians: The Association's pre-election submissions, ahead of the fast approaching South Australian and Federal elections.

Everything else mentioned above can be read at the Member Portal of the website. Copies will be available at the AGM.

Joining and Renewing

Fees and How to Pay

ANNUAL:
$20
LIFE:
Under 60 yoa **$360**
60 to 65 yoa **$290**
66 to 70 yoa **$210**
Over 70 yoa **$170**
Partner FEES
ANNUAL: LIFE:
$8 $75

Receipts will be sent for Life Memberships. Please include a stamped, self-addressed envelope for others.

a) **Paying by cheque or money order**
Please send your postal payment to:
Membership Officer
PS Superannuants
P.O. Box 348
Modbury North SA 5092
E-mail: maxwjahn39@gmail.com

b) **Bank transfers and personal deposits**
Please make sure that the payment is accompanied by your name and suburb, and please notify the membership officer of its date and sufficient details to identify you as the payer.

Bank SA: BSB 105-900
Account number: 950313840
Account Name: SA Superannuants

c) New members
When paying by one of these methods, please send a membership application form to the Membership Officer so that your necessary details can be recorded.
On the next page a form is provided for new members to join, and existing members to renew their annual membership, convert to a life membership, notify a change of address and supply an e-mail address.

Joining & renewing online
If you receive The Superannuant by downloading a digital copy from the Association website, you can click on the link below in that digital copy to open the relevant page of the website. Choose online: New Members, or online: Renewing Members as appropriate.
https://www.pssuperannuants.org.au/how-to-join/

Member's Details and Payments

Existing Members
Our records show your details as:

Please indicate errors or changes
……………………………………………………
…………………………………………………

New Members: Title…… Gender……….

First Name …………………………………….
Last Name…………………………………….

Postal Address
……………………………………………………
………………………………
Year of Birth………
Home phone…….
Mobile phone……………………………….
New and Renewing members
Payment amount $…….

Purpose of payment (tick relevant box)

- ❑ Renew annual membership
- ❑ Life membership
- ❑ Change annual to life
- ❑ Partner Annual Membership
- ❑ Partner Life Membership

Newsletter
❑ by post ❑ email
Email address
……………………..@.................................
Signature ……………………………………
Date ……………………

Bits and Pieces

- Have you noticed the Association's new logo? It is on our website and letterhead.

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

- In October the Association relinquished its membership of an unincorporated body called the SA Government Superannuation Federation, to concentrate on directly representing the superannuation interests of Association members, and our friendly connections with individual Unions.

- The Commonwealth Superannuation Corporation held its second online Annual Members Meeting in November. CSS and PSS members who missed it, and anyone else who might be interested, can watch a recording of the meeting or read the minutes. There is a question-and-answer section. Go to https://www.csc.gov.au/Members/Advice-and-resources/Annual-Member-Meeting

Our submission to the 2022-23 Federal Budget process was lodged on 27 January. It is on the website under **Matters of Interest** or directly at https://www.sasuperannuants.org.au/wp-content/uploads/2022/01/PS-Superannuants-2022-23-pre-Budget-submission-January-2022.pdf

CPI Change:
The Adelaide CPI change for the period 1 July-31 December 2021 was an increase of 2.21% and this change to Super SA pensions will occur in April 2022.
CSS and PSS pensions increased by 1.5% in January 2022.