

# TASMANIAN ASSOCIATION of STATE SUPERANNUANTS

## SUPER-NEWS

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### Dr, Bruce Felmingham on Defined Benefits Pensions

**Tasmanian economy.** There is a discernible reduction in living standards, due mainly to significantly less revenue received from GST distribution. If the Liberals gain government, GST will be distributed in proportion to State population. For Tasmania this means a drop in income of approximately \$100 million each year. Canberra Mandarins believe that Tasmania should be left to “swim or sink”, and certainly not be subsidised to the extent it has been to date. Tasmania is disadvantaged in that it has a narrow tax base. The problems experienced by the States, and particularly by Tasmania, are due largely to the initial State boundaries and federal tax disbursements.

The charter for the Defined Benefit Fund is to preserve living standards. CPI indexation is the worst method for maintaining living standards.

**The Matthew’s Report** is the latest report the Federal Government commissioned to examine indexation for Commonwealth superannuants. In contrast to the previous three Senate enquiries Matthews recommended that CPI indexation is the best method for maintaining living standards. However the Consumer Price Index is a flawed model.



**New President, Murray Harper with Dr. Felmingham**

It is based on a survey using only 5% of all prices which can affect living standards. It is also not fair on those who have chosen a lump sum on retirement.

Cont. on p 2

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#### TASS Executive Office Bearers

President: Murray Harper	6243 4326	Vice Pres: Charles Thomas	6248 5902
Sec: Rob.vanSchie	6229 7923	Membership: Kevin Hardy	6228 6485
Treas: John Chalmers	6249 1240	S-N Editor: Tony Haig	62601026

**Wage indexation.** This was introduced by Keating, with increased productivity the payoff for wage increases. It can be argued that in relation to the economy, retirees are non-productive, and that the wage indexation method should not apply to their payments. However a precedence was created when Centrelink pensions were indexed to the higher of CPI and Average Weekly Earnings (AWE). The Northern Territory indexes its pensions using the AWE model.

**Conclusion.** Consistency with current practice means using the Centrelink model. However Dr Felmingham suggests TASS look at all indexation models, including changes in Gross Domestic Product modified for inflation. However Tasmania may not be able to afford the additional cost of fairer indexation. The Commonwealth's Future Fund, set up to cover future Commonwealth pension payments, should not be overlooked in providing the funds required for fairer indexation of both State and Commonwealth defined pension schemes

*Above are notes made at the last executive meeting at which prominent economist Dr. Bruce Felmingham was guest speaker. Ed.*

## **A WORD FROM OUR NEW PRESIDENT**

I am a North-East Coast boy. I was born and went to Primary School at Branxholm, and then to Scottsdale High. Following a year of matriculation at Launceston High I went on to gain a Science degree and Diploma of Education at University in Hobart. (I gained a Master's degree later on.)

My first six years of teaching were at Murray High School at Queenstown, followed by six at Parklands High at Burnie, then six back at Scottsdale High School as Vice Principal. I then had appointments as Principal of St. Helens District High and Clarence High Schools. My career with the Education Department finished as Superintendent of the Derwent District, although most of my last year was as acting C.E.O. of the Secondary Assessment Board.

At Queenstown I married my lovely wife Lyn, and we have three beautiful kids and four grandkids. One of the kids is a part-time office manager, one is a Primary teacher, and the other is C.E.O. of the Victorian Cancer Council.

Along the way we have all had a strong interest in sport. I was lucky enough to make two Tasmanian schoolboy football teams, played three years in North Hobart juniors (part of it with Dr. Felmingham!), one with University, and six on the Queenstown gravel with Lyell. I've enjoyed a lot of tennis and since retirement have been a keen (but pretty hopeless) golfer who gets thrashed by his wife.

I have come quite recently to active membership of T.A.S.S., but see it as important that we all work hard to increase our membership, and to achieve at least maintenance of living standards for our members. I believe we have an Executive who are also keen and committed to these goals.

**Murray Harper**

**A photo of Murray with Dr. Felminham is with the lead item on page 1**

# NORTHERN MEMBERS LUNCH AND FORUM

**TASS members in the North and North-West of Tasmania are invited to attend a luncheon and member forum featuring a two course meal with a guest speaker from the Retirement Benefits Fund.**

The function details are as follows:

DATE: Tuesday 19 June

TIME: 11.30 AM Arrival  
12.00 Noon Guest Speaker,  
1.00 PM Lunch

VENUE: Queens Head Inn  
88 Main Road  
PERTH

COST: \$ 18.00 per person for a two course meal

MENU: Choice of Main Courses and Sweets

BEVERAGES: At own expense

GUEST SPEAKER: Stephen Hevey, RBF Business Relations Officer

RSVP: By FRIDAY 15 JUNE  
June Hazzlewood  
Tel: 6327-2562 (After 5 PM)

E-mail: [ahazzlewood@bigpond.net.au](mailto:ahazzlewood@bigpond.net.au)

This is an excellent opportunity for our northern members to engage on a personal basis with Stephen Hevey of RBF

## **PENSIONER CONCESSION PARKING VOUCHERS**

**TASS members who hold certain concession cards may be eligible to be issued with parking vouchers that entitle them to periods of free parking in council owned car parks in Hobart, Launceston and Devonport.**

**Basic details are as follows, however they vary in each council jurisdiction, so enquiries should be made to individual councils.**

### **HOBART CITY COUNCIL**

**Tel: 6238-2711**

#### **ELIGIBILITY:**

Anyone who holds a:

- Centrelink Pensioner Concession Card;
- Department of Veterans' Affairs Pensioner Concession Card.

You must also own a motor vehicle.

Holders of Commonwealth Seniors Health Cards are not eligible.

The Hobart City Council voucher entitles you to four hours of free parking in addition to the standard 1½ hours of free parking once a week.

To apply for the vouchers which are issued on an annual basis you must present your pension card and motor registration certificate at the council reception.

### **LAUNCESTON CITY COUNCIL**

**Tel: 6323-3000**

#### **ELIGIBILITY:**

Residents of the Launceston Municipality only who hold a:

- Centrelink Pensioner Concession Card
- Department of Veterans' Affairs Pensioner Concession Card

### **DEVONPORT COUNCIL**

**Tel: 6424-0511**

#### **ELIGIBILITY:**

Residents of the Devonport Municipality only who hold a:

- Centrelink Pensioner Concession Card;
- Department of Veterans' Affairs Pensioner Concession Card.

### **BURNIE COUNCIL**

**Tel: 6430-5700**

Concession car parking vouchers in council car parks are not available.

## Would you like to become a member too?

If you are reading this issue of Super-News and you are interested in finding out more about TASS, or you wish to join, please contact John Chalmers on 6249 1240. A membership form will be sent to you. We are always looking to build our membership and we welcome new members. Super-News is published quarterly; our Executive meets monthly and General Meetings, including Christmas Luncheon functions, are held in both Hobart and Launceston. Our AGM is held in March in Hobart. Membership Fees are only \$12.00 for a Tasmanian State Government Superannuant (and his or her spouse or partner) and \$7.00 for the widow or widower of a Superannuant. Our membership year is the calendar year. You may also find our web site of interest [www.tass.org.au](http://www.tass.org.au)

### Editorial

**Most will have noticed a change in the format used for Super-News and hope that you find the revised format an improvement. My thanks go to Kip Muller who kindly completed the November issue while my wife and I were on holiday. Many of the suggestions for the revised format also come from Kip, who is a most valuable asset to the executive.**

**We are currently considering some improvements in the way members can contact the executive. Currently, as on page 1, key members of the executive have their private phone numbers listed. While these are still current we are considering replacing these with a single mobile number which should always be manned. For e mail contact now please use our TASS email address which is [info@tass.org.au](mailto:info@tass.org.au). Our secretary checks this on a regular basis and if necessary can then direct it to the appropriate person on the executive. Please visit our web site at [www.tass.org.au](http://www.tass.org.au) . On the site are previous copies of S.N. plus lots of other useful information relevant to RBF superannuants.**

**See page 12 'Auditor General's report.' Tony Haig Editor**

## RBF Offices to move at Launceston and Hobart

RBF have advised us that their **Launceston Office** is moving to the ground floor 113-115 Cimitiere Street during June 2012.

The **Hobart Office** will also be relocating to the ground floor of 21 Kirksway Place (now occupied by Aurora) before the end of 2012. Members will be notified by RBF through the Member News and RBF website prior to the Hobart move. These relocations will allow much easier access to RBF Financial Planners or Superannuation Consultants as they all will now be located on the one floor at both centres.

*Dr. Ian Lundy was the guest speaker at the TASS March Annual General meeting. He kindly provided the following summary of his address. While his talk focused on Investment and the global market, the address to the Northern meeting in June by Mr. Hevey will involve the 'Mercer' change.*

## **Investment update by RBF Chief Investment Officer, Dr Ian Lundy.**

### **Ongoing debt concerns**

The big driver of global markets for the past two to three years has been Europe and its issues with government debt and bursting housing price bubbles in some countries. Despite dragging on for a number of years, the problem shows no signs of being fixed. Governments are simply in too much debt for a quick, easy fix.

As any typical household can attest, reducing debt is painful as it involves earning more, spending less, or both. To avoid getting back into debt requires continuing to work harder and spend less. None of these choices are good for re-election and hence governments are seeking to avoid the pain. So don't expect Europe's underlying debt problems to be fixed any time soon.

The recent default by the Greek government is a step in the right direction as it reduces debt but it was not big enough to fix the problem. It is also the first time in sorting out the problems that careless lenders have had to suffer with the borrowers.

Australia is different as it is our households rather than the government that is deeply in debt, which has mostly been used to drive residential property prices higher over the past 20 to 30 years.

One final point on Europe - the debt problems don't necessarily stop us from finding good investments there. Many European companies are global leaders and perform well regardless of local conditions. Also, European banks will be forced sellers of their assets creating an opportunity to buy good assets cheaply.

### **Fixed Interest performance**

Fixed Interest has been the best performing asset class over the last twelve months but this can't go on forever and there are good reasons why.

First, it is important to note that Fixed Interest is not the same as a term deposit. Unlike a term deposit, Fixed Interest returns can be negative due to fluctuations in bond values.

Bonds are fixed term loans to governments, banks and companies that pay a fixed coupon/rate of interest over their term. These bonds can have terms of up to thirty years in the case of governments but usually five years or less for companies. This is an oversimplification but captures the key elements.

Fixed Interest returns have two components – interest yield plus any change to the value of the bonds. The interest yield of a bond is related to the current market interest rate. Bond values change when interest rates move. The change in bond value is in the opposite direction to the change in interest rates. As interest rates have been falling in most of the world for the past three years, bond prices have been rising.

High recent returns for Fixed Interest have been driven by bond prices increasing as interest rates fell. This has outweighed lower yields to give strong total returns.

We are now in a position where government bond yields are only 2-3% in much of the developed world. From here on, most government rates can't move much lower.

The best result is that we get a small yield and some falls in interest rates but this will only lead to cash-like returns. The worst case is that interest rates rise meaning large falls in bond

prices. A fall in bond prices could outweigh the higher yields and lead to negative returns for the asset class.

Importantly, RBF has more levers available in managing fixed interest.

### **How has RBF responded?**

Some of the features of RBF's portfolio include:

- Less exposure to developed government debt with the exception of Australia where rates remain high.
- More of the portfolio is now in shorter term bonds that fall less when interest rates rise.
- More corporate debt instruments because companies are in better financial position than governments and yields are much higher.
- More developing market debt as developing countries are in better financial and demographic positions than developed countries.
- 24% of RBF's fixed interest portfolio is invested in Tasmanian commercial mortgages that tend to smooth the volatility of the portfolio.

### **Member Investment Choice switching**

In the past few months we have seen a lot of members switch from the default Actively Managed option to Cash and Fixed Interest. The level is nearing historical highs.

Importantly, the move to cash has typically lagged the poor performance of the Actively Managed option. This means on average members are not pre-empting bad news but are merely locking in poor returns.

Switching MIC options can't undo poor past returns and there is a real risk that those who are switching are merely locking in losses.

Our initial research suggests that members who switch, on average, are losing between 0.5% and 1% per annum compared to if they had stayed in the Actively Managed option.

In general, members would be better off finding the option that suits their risk tolerance and sticking with it.



*A composite picture of Dr. Lundy addressing the TASS AGM in March*

The Retirement Benefits Fund Board (ABN 97 724 593 931) is the trustee for the Retirement Benefits Fund (ABN 51 737 334 954). Any advice contained in this article is general advice only and has been prepared without taking into account your objectives, financial situation or needs. Because of that, you should, before acting on that advice, consider whether it is appropriate for you, having regard for your objectives, financial situation and needs. Before deciding to acquire or to continue to hold an RBF product, please consider the 'Welcome to RBF' brochure available at [www.rbf.com.au](http://www.rbf.com.au).

## **HAVE YOU NOTICED AN INCREASE IN YOUR COST OF LIVING?**

### **IF SO, READ ON FOR MORE SHOCKS !!!**

The following information on rises in the costs of living for Tasmanians was published in the report, *A COST OF LIVING STRATEGY FOR TASMANIANS*, dated 9 October 2011 to the Tasmanian Government by the Social Inclusion Commissioner, Professor David Adams. The report states under the heading,

#### **Key Facts and findings, Tasmanian prices:**

Tasmania has experienced lower price increases across all essential goods and services when compared to the Australian average. However, over the past five years the following prices have increased:

Housing (including rents) by 25%

Electricity by 49%

Health by 24%

Food by 22%

Education *by 22 %*

Tasmanian households are affected by the individual 'price shocks' as well as the cumulative impact of these price increases.

#### **Tasmanian incomes:**

Tasmanian incomes are below the national average:

A third of households are reliant on government pensions and allowances as their principal source of income and another 10-15% are the 'working poor'. More than one third of the Tasmanian workforce is part-time and under-employment has almost doubled over the past four years.

For many households, the cost of living pressures linked to price increases for essential services are likely to continue to grow at a greater rate than incomes, concessions, wages and many pensions and benefits which are indexed to the Consumer Price Index.

**This report emphasises the need for TASS to keep up our campaign for a more equitable form of indexation of our RBF pension, to offset these constant assaults on our ability to maintain a standard of living, that we have contributed to financially during our long working lives — despite the current budgetary situation of the Tasmanian State Government**



## ARE YOU A CREATIVE AND ARTISTIC PERSON?

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**The TASS Executive is looking for a member, or members with creative, artistic or graphic design skills to assist us in the development of a recognizable TASS logo / emblem and title design.**

We want to give TASS a brand image that will identify us to our target market of retired public servants, the state and federal governments and the general community, as to who we are and what we represent.

### **For example:**

- This is our current TASS letterhead banner and address panel:

### **TASMANIAN ASSOCIATION of STATE SUPERANNUANTS**

(The current colour is light blue)

PO Box 66  
New Town TAS. 7008  
Tel: (03) 6228-2018  
E-mail: [info@tass.org.au](mailto:info@tass.org.au)  
Website: [www.tass.org.au](http://www.tass.org.au)

- Our current Website banner is as follows:

## **T A S S**

### **Tasmanian Association of State Superannuants**

(The current colour is black font on a light blue background – view it on the TASS Website)

- The heading on our TASS promotional brochure is as follows:

## **Tasmanian Association of State Superannuants**

(TASS is in black and the rest in red)

If you are able to help we would like to hear from you by sending your suggestions to us at the following addresses:

Mail: TASS E-mail: [info@tass.org.au](mailto:info@tass.org.au)  
PO Box 66  
New Town  
Tasmania 7008

**There is no set reply date, but we would like to hear from you by 15 July, if possible.**

Contact Kip Muller (6225-3634) for further information.

# TASS EXECUTIVE 2012 PLANNING WORKSHOP

**A planning workshop with the newly-elected TASS Executive was held on 27 March to consider actions which could be implemented by the Executive during the current year.**

The workshop focussed on actions to:

- streamline the meeting procedures and workload of the Executive members to better service the aims of the Association;
- improve the image of TASS to our members, to governments and the community;
- improve the co-ordination and dissemination of information to TASS members, both through 'Super-News' and the website;
- develop greater interaction with our membership throughout Tasmania; and
- review and revise the current TASS Constitution.

Through our sub-committee structure Executive members are now addressing the stated actions emanating from the workshop. In each edition of 'Super-News' our sub-committees will report on the actions that they have taken during the preceding period.

However, we will continue our main campaign in presenting the case for a more equitable form of indexation to the government for our RBF pension.

## Executive Retirement

At the March AGM long standing executive member Lance Brown did not stand for re-election.



In March 1994 Lance together with three others who are still on the executive, attended the AGM with the aim of showing support for the then executive who had indicated that TASS may need to wind up as few were prepared to stand for the executive.

Lance joined as editor of the Newsletter which then consisted of a single sheet of A4 folded. Over the 6 years he developed this to 12 pages which included much useful information for our members. He also spent 14 years as Treasurer, has been active in re-writing our constitution and coordinating with our honorary legal officer. These are just a few of the many duties Lance has performed with dedication over the years. Lance's extensive work was recognised in 2002 when he was granted life membership of TASS.

On behalf of TASS members and the executive, Thank-you Lance for the many hours of time given to our organisation. You will be greatly missed on the executive.

## Our New President hits the ground running

*The following letter written by our new President Murray Harper was published in both the Mercury and Examiner newspapers. Following his letter a Liberal candidate took up the cause in the Examiner.*

### **Military pension sting**

BILL Kaine of the RSL is absolutely correct about the unfairness and inadequacy of the indexation of military pensions (*Mercury*, April 26). The CPI is recognised by virtually all economists as an inadequate and inappropriate method of indexing superannuation to living costs. That the Commonwealth Government also recognises this is apparent in the fact that it does not use it to index, for example, the pensions of retired parliamentarians or Commonwealth allowances such as the age pension.

The time has come for justice to be applied. Commonwealth and State Governments should begin using, for all former military personnel and public servants, a superannuation indexation method which, over time, genuinely maintains rather than steadily erodes a standard of living.

**Murray Harper President**

**Tasmanian Association of State**

**Superannuants**

### **Military pensions**

Tasmanian Association of State Superannuant's president Murray Harper is right in pointing to the Labor Party's unwillingness to ensure fairness when it comes to the indexation of military pensions (Letters; April 30).

This is yet another example of the ALP's tendency to say one thing before an election, but do something different after an election.

Our veterans and their families deserve fair indexation.

That's why the Liberal Party has recommitted itself to keeping faith with those who have served and protected Australia.

Under a Coalition government, DFRB and DFRDB superannuants aged 55 and over will have their superannuation pensions indexed in the same way as aged and service-pensions.

This will ensure that 57,000 superannuants and their families will have access to fair, just and equitable indexation of their superannuation entitlements.

**ANDREW NIKOLIC, Liberal candidate for Bass.**

### **Some very important and fundamental laws**

Variation Law - If you change lines (or traffic lanes), the one you were in will always move faster than the one you are in now (works every time).

Law of the Bath - When the body is fully immersed in water, the telephone will ring.

Brown's Law of Physical Appearance - If the clothes fit, they're ugly.

Oliver's Law of Public Speaking - A closed mouth gathers no feet.

Law of the Result - When you try to prove to someone that a machine won't work, it will.

Law of Biomechanics - The severity of the itch is inversely proportional to the reach.

# HEALTH ISSUES FOR SENIORS

Immediate past president, Tony Robinson had entered into discussions with Dr. Jane Tolman, Director of Aged Care with DHHS about preparing suitable items for inclusion in Super-News. Murray Harper has continued these discussions and Dr. Tolman has agreed to prepare health items for publication in Super-News that will be of interest to our members and will begin with the next issue in September.

## **Actuarial study**

During last year the executive decided to appoint an independent actuary to evaluate the differences to pensions indexed by CPI compared to that used to index Aged pensions. This study was to document past differences and anticipated future differences. A draft report has just been received from Heron Partners in Melbourne.

The sub-committee met on 23<sup>rd</sup> May to consider the draft, and it requested the actuary to recalculate the next decade estimates because of an alteration to the value of the pension at the start of the decade. You will be kept informed on further developments.

## **Inquiry into the Superannuation Unfunded Liability.**

The Parliamentary Standing Committee on Public Accounts is seeking submissions for an inquiry to examine, amongst other things, 'issues concerning the unfunded superannuation liability and lack of cash backing to support net unfunded superannuation liabilities.' The Auditor General in Report No 3 2010-2011 has raised issues around the management of the State's unfunded superannuation liabilities into the future. Submissions are due by 13<sup>th</sup> July. The sub-committee will prepare a draft submission to the executive who will then forward a formal submission to the inquiry by the due date.

This important Auditor General's Report has been uploaded to our TASS web site. [www.tass.org.au](http://www.tass.org.au) and is recommended reading for those interested in the challenges that could be ahead.

## **Up-date of executive committee's major issues**

1. Actuarial study of impact of CPI indexation on superannuation pension. Draft report received. (above)
2. Inquiry into issues concerning the unfunded superannuation liability. Submission work commenced. (above)
3. Issues arising with RBF's outsourcing of administrative services to Mercer taken up with RBF, e.g. Medicare inclusion for all superannuants, no annual membership flyer mail-out possible
4. Website updated, including a TASS email address
5. Super News makeover to improve TASS's image and marketing
6. Establishment of sub-committees to become responsible for different issues confronting TASS
7. New TASS membership flyer, with major emphasis on the indexation issue; 2000 printed of which 1600 have so far been widely distributed
8. Changes in executive officer positions