



Tasmanian  
Association of  
State  
Superannuants Inc.

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# SUPER-NEWS

No: 3/19

Winter Edition

June 2019

## SOUTHERN MEMBERS FORUM

TASS members are invited to attend a Members Forum

**WHEN:** Wednesday, 24 July 2019

**TIME:** 2:00pm to 3:30 pm

**WHERE:** Motor Yacht Club of Tasmania, 1 Ford Parade, Lindisfarne

**PRESENTATION:**

The Guest Speaker will be Ms Kerry Adby LL.M, FAICD, TFASFA, Chair of the Superannuation Commission.

Kerry has been a senior investment banker and commercial lawyer and is currently Managing Director, Copernican Securities Pty Ltd, a specialist firm established 1997 providing infrastructure finance, capital markets, pension and investment advisory services to the private and public sector.

In addition to a Masters in Law (Australian National University), Kerry holds management qualifications from the University of Lausanne and IMD, Switzerland and is currently a PhD scholar at ANU. Current board positions include Macquarie Point Development Corporation and the NSW Rural Assistance Authority.

Board and professional experience covers audit, governance, risk management, investment in bond and equity markets and financing complex projects in Australia and Internationally.

Afternoon tea will be provided at 3:00PM

**RSVP:** By Friday 12 July

To Charles Thomas, Membership Officer, Phone 0448 731 845 or email [info@tass.org.au](mailto:info@tass.org.au)

If you wish to attend you must let us know by the above date. If numbers are insufficient and we need to cancel the forum, those who have indicated their attendance will be notified.

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## FROM THE PRESIDENT

Well the election is over and TASS needs to consider where to from here.

As you would all know your Executive has spent many hours talking to those who could/should help us with the unfair and ill-advised 10% Cap Legislation. I want to go back in time a little bit and go through what actually happened.

The Legislation took affect January 2016 and at that time we started our campaign to bring the information regarding the unfairness to those who needed to know. We had strong support from Eric Abetz and Andrew Wilkie. They understood our concerns and hopefully tried their hardest but no change was forthcoming. TASS went to Canberra and were advised the Legislation was doing what it was designed to do so the only conclusion that could be drawn was that the Government knew exactly who would be affected. Over 2000 Tasmanians have suffered as a result and TASS has been made aware of dramatic changes that had to be made by many pensioners with the loss of part or all the Aged Pension. We told Federal Politicians these “stories” but they appeared not to care.



TASS Executive members met with members of the ALP and it was resolved that Ross Hart (Bass) would lead the campaign and that should the ALP form Government then our issue was on “a list”. That was all we were told but we had to put our faith somewhere. The last discussion we had with Justine Keay (Braddon) was a positive meeting that change could happen. Unfortunately neither of them was re-elected and we now have to consider what we do next.

At the Executive meeting held on the 21 May 2019 it was resolved that we would not walk away from working hard to get some changes made. It was agreed that our issue that impacts the Defined Benefit Pensioner is part of a larger issue of how the community receives pension payment of different kinds. For example, COTA Australia (Council on the Ageing) is working on superannuation matters and if TASS doesn’t keep the 10% Cap issue in the front of Politician’s minds then when change happens we could be missed. The Executive agreed to discuss the strategy going forward at the June meeting.

Our other big issue is the matter of the effectiveness of CPI. It is agreed that TASS’ efforts will continue with the State Government as difficult as that might be.

Another issue the Executive is considering concerns Tasmanian members of SCOA (Superannuated Commonwealth Officers Association) which may close soon. If TASS were to represent these members, around 110 pensioners, then the constitution would need to be amended. SCOA’s issues for the most part are the same as TASS faces except they are at a national level. We should know more mid-June and at that time the Executive will discuss the matter again.

Be assured your Executive remains committed to working for its members.

**Christopher Bevan,  
President**

## REPORT FROM THE ANNUAL GENERAL MEETING 2019

Approximately 31 members attended the AGM on 19 March 2019.

The attendees listened to a very interesting talk by John Pauley, COTA Vice President, who spoke on a range of subjects including:

- The COTA survey of older Australians
- Workers compensation
- Guardianship and administration (especially Advanced Care Directives)
- The royal commission and aged care – COTA submission, alternative care models.
- Housing
- Dying with dignity
- Retirement incomes
- Unfunded liability (RBF pensions)
- Energy costs
- System Navigation Project
- Age Friendly businesses; and
- Elder abuse

John, now a member of the TASS Executive, has also written an item for this edition of Super-News.

One of the main items of business was the election of office bearers, results as follows:

- President: Chris Bevan - elected unopposed
- Vice-President: John Minchin - elected unopposed
- Secretary: No nominations
- Treasurer: John Chalmers - elected unopposed
- Membership Officer: Charles Thomas - elected unopposed
- Newsletter Editor: Jeneane Thomas - elected unopposed
- Exec members: (6 vacancies) Murray Harper, Ross Brown, Jean Walker, Peter Pearce, Stephen Graetzer, were elected unopposed.

The meeting endorsed Mr Nathan Munting (of Wallace Wilkinson & Webster) as legal advisor, and Mr Kim Darling (Accountant at BDO) as Auditor.

Subsequent to the meeting, the Executive considered the vacant positions.

- Secretary: John Minchin was prepared to remain as Acting Secretary until a new Secretary could be found.
- Executive member – John Pauley accepted an offer to join the Executive.
- Public Officer – Charles Thomas was appointed to this position.
- The Executive thanked the retiring members Marjorie Bevan and June Hazzelwood
- North West Representative role: Donald Wells agreed to take on this role.

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### TAX RETURN TIME IS APPROACHING

It is fast approaching the time of year when those of us who must submit an Income Tax return will start gathering their papers in preparation.

TASS was aware that there were some imminent changes to the way the Australian Tax Office gathered data relating to employees' salaries and wages, and the way Employers provided PAYG Payment Summaries ("Group Certificates" as they were once called) to its staff. The new system is called STP (Single Touch Payroll).

TASS followed this up with RBF and has been informed that there will be no changes or impacts for RBF pensioners, as the Single Touch Payroll impacts do not apply to RBF as a super fund.

Therefore, paper based PAYG summaries will continue to be issued as they have in past years.

## DEATH, TAXES AND OUR SUPERANNUATION

Well we have all been told at one time or another

“how good our RBF pensions are” or

“I wish I had your Defined Benefit pension” or

“the cost of your pension is putting a break on what the Government can do”.

As recently as February this year a columnist to the Mercury stated:

*Most pressingly, the State’s superannuation liability needs attention, so we can afford to provide better services in areas such as health.*

*Most people probably don’t know it, but each year around \$300 million is spent out of the budget paying superannuation to retired public servants — for context, that’s enough for 3000 more nurses.*

We even get a whole section in Budget Paper No. 1 each year that tells us, and everyone else, how much we cost and how this cost is being tightly managed.

For 2019/20, the budgeted superannuation expense is estimated as \$305.1 million or 4.81% of total Government outlays. This expense is expected to decline to 4.61% of total outlays by 2022/23. Both these figures are a substantial decline on the budgeted expense from the 2017/18 budget papers where the superannuation expense was estimated at 5.98% of total outlays. These numbers are taken from Table A1.1 in Budget Paper No. 1.

Our superannuation represents a dominant portion of the State’s liabilities as detailed in Table A1.2. For 2019/20 the liability attached to our superannuation is estimated to be \$7.0078 billion, or 72.46% of total liabilities faced by the Tasmanian Government. Again this figure is significantly lower than the estimate provided in the 2017/18 budget where the liability was estimated at \$7.8943 billion or 78.24% of total liabilities.

Given the expenditure program outlined in this year’s budget, the superannuation liability is projected to reduce to just 67.57% of total liabilities by 2022/23.

These figures are fact. The cost is large, as is the liability.

However, care must be taken when interpreting these numbers. Statements such as those made in the Mercury, while they may generate a good headline or tweet, tend to misrepresent the reality behind the State’s superannuation liability.

Evidence of this reality is perhaps provided by the most recent budget where there is a considerable borrowing program being proposed by this Government, which will result in Net Debt of \$1.1 billion by 2022/23 with recurrent borrowing costs increasing significantly to \$35.4 million.

You might say what has this got to do with our superannuation liability? Well the answer is quite a bit really.

Treasury, and the many past governments of Tasmania, have been very well informed about the emerging superannuation liability. Since at least the 1970s advice would have been provided to the Government of the day that they should be establishing a fund to meet the future superannuation liabilities of retiring public servants.

But governments did not take this advice, and even today they continue to fund the defined benefit liability as a recurrent expense in the budget.

So why was this advice ignored? Why did past Governments not put aside the funds to pay for our super?

The answer is straight forward.

We are not the drag on the State budget as many commentators would have you believe.

In effect past Governments have borrowed funds from us, State Service Superannuants, instead of from the market to fund the infrastructure that supports today's public services.

As public servants we paid part of our income into the Retirement Benefits Fund over our working life. Added to our payments was a "nominal" payment from the Government, our employer. But they only created a book entry, and this has emerged today as the superannuation liability in today's budgets. Had funds actually been placed with RBF on an actuarially sound basis there would be no liability today and our superannuation would be fully funded.

So where did the money go?

Successive governments invested this money in schools, hospitals, roads and bridges, and the wide range of public services that benefit Tasmanians today. They made conscious decisions to forgo creating a fund to pay future superannuation entitlements. They considered that their contribution to our superannuation would deliver a better return to Tasmania by investing in public infrastructure. They reduced the amount of debt incurred by the Tasmanian Government and the interest that would have needed to have been paid on that debt.

Had past governments fully funded the scheme it is highly likely that RBF would have invested those funds outside Tasmania. Governments would have then had to borrow additional funds to meet the infrastructure needs Tasmanians enjoy today. This accumulated debt would appear on the State's balance sheet and there would be a corresponding interest payment on the State's income statement.

There is no free lunch here, and it may be that the costs of borrowings would have been higher than the costs of using the Government's contribution to our superannuation to fund essential infrastructure and services over the years. Just look at how debt is now accumulating on the State's balance sheet!

So our super is not putting a break on what the Government provides. In fact it has more than likely helped deliver better services to Tasmanians than they would have otherwise enjoyed.

In addition when we were putting aside part of our income to fund our superannuation we were not receiving the taxation benefits that apply to today's compulsory superannuation schemes. Current estimates are that for every dollar saved in age pension entitlements costs the Commonwealth \$4 in superannuation taxation concessions. Soon the cost of these concessions will exceed the aggregate cost of the age pension, and as the amount invested in super edges towards \$5 trillion the annual cost of the concessions will be \$100 billion or more.

This leaves less money available for distribution to the states from the Commonwealth and this is likely to cost the Tasmanian Government more than the \$300 million superannuation expense currently paid.

Finally, under our Defined Benefit scheme there is an effective death tax. This contrasts with the situation applying to existing Defined Contribution schemes.

Upon our death, the Tasmanian Government will apply a 33% tax to the entitlement available to our surviving spouse. Upon their death the tax becomes 100% and there is no residual amount to pass on to future generations.

No such taxes apply to Defined Contribution schemes, and it is well recognized that many families are using these schemes as tax effective shelters for their wealth and a means to transfer wealth to future generations.

Recent initiatives proposed by both sides of politics to limit tax concessions applying to the balance of superannuation funds highlight the concerns around such behavior.

So next time someone suggests how well off you are and how much your superannuation costs just ask them if:

- they enjoy the level of public infrastructure and services they have today;
- whether they think spending \$4 to save \$1 is a good idea; and
- if they would like a death tax applied to their super.

I am sure this will make them think differently about how good we have it.

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### **“LATE” PAY - EASTER PAY – APRIL 2019**

As you will remember around Easter time there was a scheduled payday of 1 May. The processes that deliver the payments into our bank accounts is commenced by Link on the Friday in the week prior to the pensions falling due to ensure that pensions are paid no later than the due date (being the following Wednesday). For many of our members this results in the pension arriving in the accounts on the Friday, and in some cases on the Monday.

We have asked the Office of the Superannuation Commission (OSC) for an explanation of what occurred in relation to the pension payment that was due on 1 May and which in normal circumstances would have seen monies appear in members accounts on the 26 April. The OSC advised that an IT error (hardware failure) meant that the file that is sent from Link to the bank to trigger the payments arrived at the bank after the bank “cut-off” time for processing on the Friday. The OSC advised that the fault impacted a number of Funds not just the RBF. The end result was that payments were made on Monday 29 April, still ahead of payday being 1 May.

TASS has discussed this issue with RBF and we agree the event was unfortunate but as payday was not until the 1 May it cannot be seen as late when it appeared in our accounts on the 29 April. However, we understand that members have an expectation that Friday will always be payday, because that is what they experience on a usual fortnightly basis.

TASS would recommend that if you have regular payments scheduled for Friday that you should move them to the following Wednesday or at least be aware that a pay isn’t late until Wednesday has passed.

TASS is hopeful there will not be more issues like this one.

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## ENCOURAGE FRIENDS TO JOIN TASS

TASS members who receive *Super-News* by email are encouraged to forward it to friends or former colleagues, particularly people who they know are still working in the state service, but near retirement, with the suggestion that they consider joining TASS.

### TASS EXECUTIVE MEETINGS – MEMBER ACTIVITIES 2018

April	Tuesday 16	1:30pm	Executive Meeting	Hobart
May	Tuesday 21	1:30pm	Executive Meeting	Hobart
June	Tuesday 18	1:30pm	Executive Meeting	Hobart
July	Wednesday 24	1:30pm	Southern Members' Forum Guest Speaker: Kerry Adby Chair, Super Commission	Hobart
August	Tuesday 20	1:30pm	Executive Meeting	Hobart
September	Tuesday 17	1:30pm	Northern Members' Forum	Launceston TBA
October	Tuesday 15	1:30pm	Executive Meeting	Hobart
November	Tuesday 19	1:30pm	Executive Meeting	Hobart
December	Tuesday 3	12:00pm	Northern Christmas Lunch	Launceston TBA
December	Tuesday 10	12:00pm	Southern Christmas Lunch	Hobart TBA

## MEET YOUR EXECUTIVE

### John Pauley – Executive Committee Member

#### Background:

Long serving State public servant with experience across a number of agencies, including Primary Industries Infrastructure, Transport, Treasury and Premier and Cabinet. Since retirement have become involved in ageing issues.

#### Education:

B. Ag Ec (UNE)

Grad Dip Comp Sci (Deakin)

#### Current activities and interests:

Volunteer advocacy in the ageing space including health and well-being, retirement incomes, housing and aged care and older workers.

Keen cyclist, motor cyclist and walker.

Travel to wild and remote areas.

### MEMBERS CAN RECEIVE *SUPER-NEWS* ELECTRONICALLY

You can have *Super-News* emailed directly to and you can read it on your computer or tablet.

All you need to do is send an email to: [info@tass.org.au](mailto:info@tass.org.au) with the words 'Super-News' as the subject. **There is no need to write anything else.**

## USEFUL CONTACTS FOR TASS MEMBERS

(Revised March 2019)

### Retirement Benefits Fund (RBF)

All enquiries 1800-622-631  
Website [www.rbf.com.au](http://www.rbf.com.au)

### Australian Taxation Office (ATO):

Personal taxation information 13 28 61  
Website [www.ato.gov.au](http://www.ato.gov.au)

### Centrelink: (Access Centrelink and Medicare services)

Older Australians and Financial Information Services 132 300  
Disability, Sickness and Carers 132 717  
Website [www.humanservices.gov.au](http://www.humanservices.gov.au)

## TASS EXECUTIVE – ADMINISTRATION

### TASS:

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<b>Super-News Editor:</b>	Jeneane Thomas	Ph: 0408485902
<b>Northern Tasmania Representative:</b>	Vacant	
<b>North-West Tasmania Representative:</b>	Donald Wells	Ph: 6432-3641

## CHANGE OF ADDRESS

Should you change your address please advise the **Membership Officer, Charles Thomas**, so that he can update our records. Tel: 0422 414 861

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