

**TASMANIAN ASSOCIATION of STATE  
SUPERANNUANTS  
SUPER-NEWS**

ISSN1323-5605 Sept 2012 No 3/12

**TASS Action on a Number of issues**

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**Above are some of the significant issues in this September edition of Super-News.**

**Dates to mark on your calendar for later in the year**

**Northern Christmas luncheon at Queens Head Perth on Tuesday 27 November.**

**Southern TASS Christmas Luncheon at Drysdale Hobart on Thursday 6 December.**

**Further details will be in the next Super-News which will be delivered in sufficient time to advise your intention.**

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# TASS to meet with Minister for Finance

The Lobby Liaison Sub Committee led by President Murray Harper is to meet with the Minister for Finance the Hon Scott Bacon MHA on the 18th September to pursue our claim for a more equitable method of indexation of our RBF pensions. We will be presenting the Minister with a copy of the recent actuarial report commissioned by our Association that clearly shows the loss of relativity in the spending power of our RBF pensions compared to the indexation enjoyed by Aged pensioners. The Report prepared by the Heron Partnership states

**" our comparisons show that over time , the Aged Pension indexation method results in significantly higher pension payments than the current RBF indexation method. The gap between payments under the two methods is expected to continue to widen in the future."**

The report contains a number of graphs and tables to support these comparisons. We believe that with this independent actuarial report we can demonstrate to the Minister the significant extent of pension erosion facing RBF superannuants.

A full report on the outcome of the meeting with the Minister and the Government's response will be covered in our next issue of Super-News.

A full copy of the Heron Partnership actuarial study will be posted on our website after our meeting with the Minister.

## Treasury Director predicts a Secure future for RBF pensions

Following approaches from the TASS executive, Craig Jeffery, Director, Department of Treasury and Finance, addressed the August executive meeting. It was the most positive up to date and transparent talk from Treasury that we have received in recent years. On the following page is a report covering the main substance of the address. Mr. Jeffery (pictured to the right) explained that the change did not affect the security of pensions in any way. He further emphasized that the necessary funds would always be available from Treasury to meet the RBF funding requirements. A number of questions were fielded during the talk. Mr Jeffery offered to return to a subsequent meeting to address members and it is hoped that this could be at a General meeting at which all interested members could attend.



I believe it is fair to say that all of the executive left the meeting greatly reassured as to the security of our pensions.

## Tasmania's Unfunded Superannuation Liability

At the beginning of each financial year, when the government publishes its balance sheet, the media highlights the size of its unfunded superannuation liability of several billion dollars. This invariably reflects badly on public service superannuants in the eyes of the public, whilst creating anxiety in superannuants. And this year it became worse when the Joint Parliamentary Standing Committee on Public Accounts decided to hold an Inquiry to examine issues concerning the unfunded superannuation liability and lack of cash backing to support unfunded superannuation. TASS therefore approached Treasury and was very fortunate to have Mr Craig Jeffery, Director, Government Financing and Accounting in the Department of Treasury and Finance, address and answer questions from the committee. He spoke to **Treasury Occasional Paper No.1, August 2012**, which is available on the Treasury website, and which has also been placed on the TASS website and is recommended reading.

### Why has Tasmania got an unfunded superannuation liability (USL)?

A Heads of Agreement in 1993 exempted most public sector superannuation schemes from the Superannuation Industry Supervision (SIS) Act 1993. Payments from these schemes can be made on an emerging needs basis without having a dedicated superannuation fund. No contribution tax is paid by the employer, making our pensions liable for tax.

### Why is the USL published in the General Government Balance Sheet

This is a requirement in Australian Accounting Standard AASB 119 (employee benefits)  
The USL is calculated each year by the Actuary, and is the present value of all the governments' superannuation obligation, present and future

### Superannuation Pension payments

This is administered by the RBF and funded on a fortnightly basis by the government, government business enterprises (GBE) e.g. HEC, and member contributions invested by the RBF. The unfunded liability is confined to the government contributions.

### The Superannuation Provision Account (PSA)

This was introduced in 1994, but did not start until the defined benefit scheme was closed to new members in 1999. The government aimed for a fully funded scheme by 2035. However funds in this account were on occasion used for other purposes. These withdrawals became large enough in 2010/11, for the Auditor General to state in his annual report to that "the capacity of the government to meet its future superannuation obligations requires close monitoring". Hence the forthcoming Inquiry .

### Funding the emerging cash cost of the defined benefits superannuation liability directly from the consolidated fund and closing the SPA from 2012/13

The Treasurer has approved this approach which reflects the government's key responsibility of meeting the emerging cost associated with the closed scheme, as and when it arises, while also increasing the financial transparency of the government's superannuation arrangements.

### For 2012/13 the ratio of superannuation payments to total outlays is 5.3%

The Lobby Liaison Sub Committee is continuing to closely monitor the progress of the Public Accounts Committee Inquiry. The Committee met last week to consider the written submissions it received and it will shortly announce its timetable for the calling of witnesses it wishes to receive further evidence from. The Committee expects that this process will take a few months to be completed. Hopefully we will be able to provide more definitive information in the next issue of Super News."

## SUCCESSFUL FORUM FOR NORTHERN MEMBERS

**A forum and luncheon for our northern members was held at the *Queens Head Inn* at Perth on 19 June.**

Forum guest speaker Stephen Hevey, Business Relations Officer at the Retirement Benefits Fund (RBF) gave a most informative address to the 26 members who attended the function.

It was a wonderful opportunity for TASS members in the North and North-West of the State to hear first-hand about the merger of administrative services of the RBF with the Mercer organisation. Stephen gave a brief history of the foundation of the RBF and its evolution into the organisation that we know today.

He detailed the benefits for the RBF in outsourcing its administrative activities and acknowledged that there had been some initial problems in this regard, but that the new arrangements were now successfully in place.

Importantly, he also explained the processes involved in the administration of managing the pensions paid to 'Tasmanian State superannuants' and the relationship between the RBF and the Tasmanian Government in this regard.

He invited members to contact the RBF in addressing any concerns that members may experience.

At the conclusion of his address, Stephen was applauded by the members present for his most enlightening contribution. (A more comprehensive summary is on the next page)

Members then enjoyed a hearty luncheon after which a brief General Meeting was held, chaired by president Murray Harper, assisted by Executive members of our newly-formed Sub-committees, who briefed the gathering on actions currently being undertaken by the Lobby/liaison, Member activities and Promotion groups.

*The Executive wish to express our appreciation to Life Members June and Bert Hazzlewood for their assistance in the arrangements for this function.*

**The Executive has arranged for our annual Christmas Luncheon for Northern members to be held at the *Queens Head Inn*, Perth on Tuesday 27 November 2012.**



Stephen Hevey, RBF Business Relationship Officer addressing the forum.

## **Address by Stephen Hevey, RBF Business Relationship Officer “RBF – Past, Present & Future”**

TASS General Meeting, Perth, 19<sup>th</sup> June 2012

The Tasmanian Government’s superannuation fund, the Retirement Benefits Fund, started operating in 1904. To encourage and reward long service by government employees and because relative to now, life expectancy was low, a life pension was provided. There was no provision for taking a lump sum. Employees were required to make compulsory contributions towards their pension in the Contributory Scheme, which were then invested by RBF. Over the years the benefit was modified so that members could also take a lump sum and other options at retirement.

Government Departments do not make contributions directly to RBF on a fortnightly basis as they do with the Tasmanian Accumulation Scheme, but account for the money in a Superannuation Provision Account. The State Owned Companies and Government Business Enterprises account for the liability through their audited accounts each year. The employer share of the member benefit is paid on an emerging cost basis and the amount of employer contributions accounted for each year is determined by an Actuary who provides a report to the RBF Board every two years.

In 1994 the State Government of the day was becoming concerned about the future liability of the fund especially for the life pensioners as life expectancies had increased and were showing an upward trend. This had the potential to impact significantly on the fund as life pensions are paid to the date of the death of the member and with a reversionary pension two thirds of the payment will pass to the surviving spouse. The life pensions are adjusted twice yearly in line with the official Consumer Price Index increases as per the Retirement Benefit Regulations. A decision was made to make changes to the benefits of members who joined after 30 June 1994. Then on the 15 May 1999 a decision was made to close the Contributory Scheme to new members (some exceptions exist).

In April 2000, RBF’s Tasmanian Accumulation Scheme was established to manage both employee contributions and government compulsory superannuation contributions. For members who first joined the Public Sector prior to 15 May 1999, this Scheme does not provide a life pension, instead providing similar products to those available in private sector superannuation funds.

From 1 July 2005, the *Public Sector Superannuation Reform Act 1999* ensured Public Sector employees had fund choice with RBF as the default fund.

In 2007 the Federal Government of the day revised superannuation procedures, introducing Better Superannuation. RBF’s existing administration platform found it difficult to cope with the Better Superannuation changes and the high costs of making changes to the program was causing concern to the RBF Board. After a considerable process several options were examined by the RBF Board and it was decided to outsource some of Fund administration activities to Mercer Australia Pty Ltd.

Mercer has significant experience and resources and currently administers 50 funds; this allows the costs of maintaining the administration platform to be shared with other users thus reducing the total costs to RBF.

The transition process took place in mid 2011 and represented a major change for all of RBF’s stakeholders. RBF recognises that during this time some members encountered problems and delays. RBF continues to work closely with Mercer Australia Pty Ltd to ensure that the members receive even better service than they were accustomed to prior to outsourcing.

I would like to correct some of the common misconceptions on the outsourcing of the administration activities to Mercer Australia Pty Ltd. The RBF Board are responsible for all decisions regarding the operations of the fund. They have decided to outsource several of the administration activities that the fund has responsibility for; administering the member accounts is one activity.

RBF have a contractual relationship with Mercer Australia Pty Ltd and the RBF Board is responsible for the oversight of this contract. As with any contractual relationship all aspects of the contract will be reviewed and assessed by both parties during the course of the contract as well as at the end of the period.

Life Pensioners should not be concerned about the security of their pension. This is despite recent Media publicity of the unfunded superannuation liability. The employer share of the pensions payments are guaranteed by the Minister (REG 25. Retirement Benefits Regulations 2005) including those coming from Government Business Enterprises and State Owned Companies.

By the end of 2012 RBF will introduce new Insurance arrangements for members of the RBF Tasmanian Accumulation scheme. The new arrangement will have improved flexibility that will more readily meet the different needs of the members.

RBF have adopted a continuous improvement process whereby feedback from our stakeholders is gathered on a regular basis, issues that adversely affect the member experience can be examined and necessary changes can be introduced. Forums such as the Tasmanian State Superannuants Association are the perfect example of this process.

I would like to thank you for the opportunity to address you today. RBF life pensioners are a very highly valued group of stakeholders and your honest feedback is always welcomed.

Stephen Hevey

## **Invitation to become a member**

**If you are reading this issue of *Super-News* and you are interested in finding out more about TASS, please contact John Chalmers on 6249 1240. If you would like to join, 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.**

**Further information is also available on our web site where you will find current and past issues that will be of interest and value to RBF defined benefit pensioners.**

## TASS CONTACT PERSON IN THE NORTH-WEST

**The TASS Executive would like a member resident in the North-West of Tasmania to act as a contact person.**

The position of contact person does not require any formal commitment or work, but only in the event that the Executive needs to contact, or seek advice on matters that may be of specific relevance to our members in the North-West of the State.

All that is required is a NAME, TELEPHONE NUMBER and an E-MAIL ADDRESS.

**If you would be available to assist the Executive in this way, please contact:**

**Rob Van Schie, Secretary, TASS**

**Telephone: 6229-7923**

**E-mail: [vanschie@westnet.com.au](mailto:vanschie@westnet.com.au)**

## Financial Report - September

**Below is a brief summary of our income and expenses at the end of July this year. Please note that we adopt the calendar year as our financial and membership year. The amounts are for our operating account into which deposits (mostly membership renewals) are made and from which we pay our accounts. We again thank those who have continued their memberships of TASS. In addition, we are extremely appreciative of those who make donations to our organization. With regard to our expenses, most involve publication and posting of *Super-News*. Our first edition of *Super-News* each year includes our annual financial report and this can be viewed on our website.**

<b>Brought Forward from 2011:</b>	<b>\$8693.08</b>
<b>Deposits: Subscriptions:</b>	<b>\$2416.00</b>
<b>Donations:</b>	<b>\$541.00</b>
<b>Payments:</b>	<b>\$6426.62</b>

John Chalmers Hon. Treasurer

## ACPSRO lobbies Senator Penny Wong

**Earlier this year our Federal umbrella organisation the Australian Council of Public Sector Retiree Organisations (ACPSRO) wrote a very well argued letter to the Minister for Finance and Deregulation, Senator Penny Wong. The letter, a copy of which is on our web site, outlines the strong reasons why the CPI is not relevant to index pensions. It makes interesting reading.**

## DR BRUCE FELMINGHAM WRITES IN REGARD TO SELF-FUNDED RETIREES

In the last edition of 'Super-News' we published a report of a discussion with Dr Bruce Felmingham at our April Executive meeting.

Subsequently, Dr Felmingham, former Professor of Economics at the University of Tasmania, who is a columnist for the *Sunday Tasmanian*, wrote about the issues confronting independent retirees in which he made mention of that meeting. TASS members who do not receive the *Sunday Tasmanian*, particularly those in the North and North-West of the State, may be interested to read this **abridged** version of Dr Felmingham's article.

In his newspaper column titled, **Retirees' double hit**, Dr Felmingham wrote,

“When interest rates go down, farmers, miners and mortgagees rejoice at the prospect of lower borrowing costs on their debts and the subsequent boost to their net household income – but spare a thought for this financial game's losers. Most prominent among these are the self-funded retirees who depend upon the income stream from interest on cash investments such as bank and fixed-term deposits. When interest rates fall they are hit by a double whammy – first, their investment income falls and, second, the value of their assets also erodes. This effect on asset values is driven by the volatility of world markets. Self-funders invest predominantly in three asset classes: shares, property and cash. The value of these has tumbled in about the same proportion through the GFC and the current crisis”.

“At a recent meeting of the Tasmanian Association of State Superannuants there was some tension over the financial outcome of the European mess and the sluggish US economy, and what this means for Tasmanian superannuants. Several of those present expressed fear that the State Government had reneged on its promise to make provision for the payment of retirement income from its futures fund, labelled the Superannuation Accumulation Fund (SAF).”

“The Federal government's version of this fund is used to pay the incomes of retired public servants and it was hoped that the SAF would perform a similar function here. However, it was not long before temptation overcame common sense and SAF balances were withdrawn to fund undoubtedly important State Government projects. Retirees were not directly affected by the run down in SAF balances because the Government simply absorbed new superannuation expenses into its Budget.”

“In any event, the Government has an inescapable legal obligation to fund its superannuation liability in spite of events in Europe, the US and elsewhere. But the case for changing pension indexation from CPI in these circumstances (Greece and beyond) is unlikely to get up, even though there may be some merit in a measure like the GDP deflator, which measures the effects of all prices - and not the basket of sampled commodity prices which determine the CPI.”

The TASS Executive appreciates the views that Dr Felmingham expressed in this article in regard to self-funded retirees. *Kip Muller*



## Cost of Living versus CPI---- 0.056 Stinks

Quite a number of our members have been in contact with TASS expressing their disgust at the most recent miniscule increase to RBF pensions at a time when disproportionate cost of living expenses have hit retirees hard.

Whereas essential household utilities such as electricity, water and sewerage prices have soared in the last months it is palpably clear that the CPI increase of an astonishing 0.056% from 1 July 2012 does not go anywhere near reflecting actual increases in the cost of living in Tasmania.

This anomalous situation clearly illustrates two fundamental flaws in the RBF defined benefit superannuation scheme.

Firstly because of the way RBF regulations are structured the recent 0.056% increase relates only to movements in CPI occurring from October 2011 to March 2012, and then to add insult to injury, payment has been delayed to 1 July 2012.

Secondly, whilst Tasmania's high cost of living, caused by factors such as cold weather, fuel prices and the often quoted "Bass Strait Factor" is a disadvantage, the CPI embraces the cost of prices applying on the mainland (i.e. average of 6 capital cities).

There was a time in the past when the CPI movements in Tasmania were the measure for adjusting Tasmanian RBF pensions, but not any more.

Of interest in the same period as our CPI rose by 0.056%

Commonwealth M.Ps salaries rose by 3%

State M.Ps salaries rose by 2%, as did State public servants!

Tony Robinson TASS executive

## How to Age Well

How well we age is determined by a complex mix of genes and the effects of our environment. The offspring of centenarians tend to live longer than others, but how well they age is more determined by how they live. As a general rule it's thought that about 80% of how we age is due to the environment, and 20% due to our inheritance.

We do know who is least likely to age well. These include the socio-economically less well off, those less educated, the disabled, people lacking supportive relationships, anyone either over-weight or under-weight, and those who do not walk for exercise.

It is also known that good health habits are critical. Disability can be postponed for five years when good health habits can be developed. Regular exercise, moreover, leads to a level of function that is equivalent to those fifteen years younger.

### **Nutrition**

If regular eating patterns are maintained in old age, weight will be gained. The body's metabolic requirement, measured in the Basal Metabolic Rate, decreases by 2% every ten years. To avoid weight gain, a reduction of 100 calories per day would be required. In fact, 60% of those over 65 years of age have a Body Mass Index of over 25- that is they are in the obese range.

Even over-weight people can be poorly nourished though. Failure to eat a good diet leads to poor teeth, decreased senses of taste and smell, a poor immune system making infection fighting more difficult, muscular weakness, falls and frailty. Malnourished older people lack physical reserve and are very prone to an accelerated decline when physically ill. Good nutrition is essential to protect against a range of illnesses including diabetes, cardiovascular disease, peripheral vascular disease, osteoporosis, poor balance and gait and low mood.

The above article is the first in a series compiled by Dr. Jane Tolman from the Department of Age Care at the Royal Hobart Hospital. Subsequent topics in this series will cover other important considerations including exercise, cognition, diet, social engagement and falls. Ed.

## MEMBERSHIP SURVEY

This survey is for our members. Please complete the survey as it will be of benefit to US ALL – THE MEMBERS.

The object is to have feedback to enable TASS to provide you with valuable information.

We are hoping to broaden the horizons of our members.

**Please circle all your answers.**

Do you live in the: South, East Coast, North-West, North, North-East

**A.** Would you be interested in a Question & Answer section in Super News?

Yes

No

If you are, would you send in Questions?

Yes

No

**B** What are your 3 most important issues?

Superannuation

Health Care

Nursing Homes

Financial Planning

Centrelink

Estate Planning

Retirement Villages

Other – please specify -

1.

2.

3.

If TASS arranged a Guest Speaker for these or other Topics would you attend?

Yes

No

## MEMBERSHIP SURVEY

C. Would you prefer to receive your Super News by email **only**?

Yes

No

If "YES" we require your:

Name:

Email address:

D. Your response to this survey is valued and appreciated.

Please send your response to:

TASS

P O Box 66

NEW TOWN Tas 7008

or

On-line to our email address: [info@tass.org.au](mailto:info@tass.org.au) (see below)

TASS has approximately 1400 members, many of whom never make contact with the association.

We would like to change this situation and hear your views on how we can best assist you.

Guest speakers from Government and private organisations can provide TASS members with valuable information.

**Don't just read this survey – PARTICIPATE**

Responses required by: 31 October 2012

**Note This survey can also be filled in on our web site. [tass.org.au](http://tass.org.au)  
Open 'Survey', click 'enable editing' and then underscore or enter your  
answers and return to [info@tass.org.au](mailto:info@tass.org.au)**

Results will be collated and published in Super News