
Australian Council of Public Sector Retiree Organisations Inc.

ABN 74 202 015 642



Peak Council representing Commonwealth, including military, State, Territory and other public sector retirees.

12 Muresk Street, Farrer ACT 2607

26 August 2016

Mr A Whitecross
Branch Manager
Rates and Means Testing Policy
Department of Social Services
GPO Box 9820
Canberra ACT 2601

Dear Mr Whitecross,

Thanks for your letter MC16-006082 of 16 August about the “10% Cap”.

Could I start by asking you to correct the address for correspondence with ACPSRO? It's actually:

12 Muresk Street
Farrer ACT 2607

The address you have been using - PO Box 4166, Kingston – is the address of the Defence Force Welfare Association, one of ACPSRO's member organisations, and has probably been taken from covering e-mails used in the past to distribute some of ACPSRO's media releases. Now to the substantive issues of our correspondence.

In your letter, you make the point that “After the taxation change on 1 July 2007, this proportion increased to around 33 per cent [ie from around 2.5 per cent] with no other change in circumstances to explain the increase.”

The post-2007 increase in the proportion of income support recipients who have a deductible amount greater than 10% was just another aspect of the 2006-7 Better Super *package*. I emphasise that it was a package.

The intention of the 2007 package was to share roughly equivalent benefits to all kinds of self-funded retirees. Hence the measure relating to pre-30 June 1983 service was deliberately made part of that package by the government in power at that time, although the benefit had to be delivered via an exemption from the income test, and hence moved out of the tax system and into the social services policy area.

Thus your point about the post-2007 increase in the proportion of income support recipients who have a deductible amount greater than 10% simply reflects equivalent benefits to other forms of superannuation that were provided in that 2007 package, mainly in the areas of tax. If those social services benefits now are to be removed from that small group of defined benefit pensioners then simple equity suggests that *all* of the 2007 *Better Super* measures, ie

tax as well as social services, should be wound back. (Given the reaction to recent proposals, I am sure we both can envisage the likely thermo-nuclear public response if that was attempted!)

There is a further point to be considered regarding the increase in the proportion of defined benefit pensioners who have become income support recipients since 2007. Some very significant things happened shortly after 1 July 2007:

First there was the GFC. Many people lost a lot of their savings held outside of superannuation - one survey of retired people found that they had on average lost 40%. People who had previously been thinking of taking their contributions to their defined benefit fund as a lump sum and putting them into an account-based pension might well have had second thoughts.

Secondly, financial advisors, who had previously been advising people to take their contributions as a lump sum and put them into an account-based pension, suddenly changed their tune and started advising Commonwealth and State superannuation pensioners with small defined benefit pensions to purchase additional pension instead. ACPSRO's member organisations have examples of that. As one president has written:

My next-door neighbour used her contributions to purchase additional PSS pension. When I asked her why, she said: "Everybody's doing it." All the people who contacted me to say that they had been affected by the 10% cap even though they had no pre-1983 contributions were women who had only joined the public service after their youngest child had gone to school and had been contributing 10% of their after-tax salary to make up for lost time.

So there are two main points:

- a. unless the whole of the 2007 *Better Super* package is wound back, the 10% Cap measure is a discriminatory and inequitable attack on a small group of retirees; and
- b. although the 10% Cap has been justified *entirely* on the treatment of pre-30 June 1983 service, it has affected a considerable number of retirees with no pre-30 June 1983 service at all, many of them older women.

Andrew, I don't expect you, in your position, to be able to initiate a policy change to rectify this situation, but I hope that the above may assist you to understand why ACPSRO is continuing this fight.

Yours sincerely

Richard Griffiths
National President
Australian Council of Public Sector Retiree Organisations (ACPSRO)

Tel: 02 6248 9609
Mob: 0412 164 404

E-mail: GriffithsRD@gmail.com