



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

12 Muresk Street, Farrer ACT 2607

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MEDIA STATEMENT

Review of pension rules

In view of recent retirement incomes policy nonsenses like the “10% Cap” issue*, public sector retirees welcome the review of rules for retirement incomes and their interaction with the Age pension, as promised by the ALP on 25 May, and hope that such a review will have the support of, at least, The Greens.

In a letter on 9 March (copy attached), the Australian Council of Public Sector Retiree Organisations (ACPSRO) requested data about the effects on defined benefit retirees of the 10% Cap measure, which came into effect on 1 January 2016. Eventually, under protest, the Department of Social Services provided a partial response (also attached) on 18 May to our letter.

The Department's response seemed unable to provide details about the effects of the primary justification offered by Ministers for the 10% Cap measure, ie the treatment of pre-1983 service. Readers will see that the Department's letter does, however, show conclusively that the burden of the apparently arbitrary and clearly retrospective 10% Cap falls primarily on less well-off defined benefit pensioners, in both relative and absolute terms. Those pensioners include retired emergency service workers, clergy, academics and private pensioners under older schemes, as well as State and Commonwealth public sector retirees.

ACPSRO then made a request under FOI for the documents used in preparing that departmental response. The Department's FOI response is also attached. Readers will see, at the bottom of the (unnumbered) second page, in a somewhat misleadingly numbered paragraph 6, it was stated that no information exists about a number of the key issues that should have been considered by the Department when responding to ACPSRO's 9 March letter or, indeed, when developing the 10% Cap policy originally. That includes details of how many affected retirees had no pre-1983 service, which is the “anomaly” that has been used by both Ministers and the Department on many previous occasions as the primary justification of the 10% Cap measure.

Given the lamentable handling of the 10% Cap policy measure, which has had such a drastic effect on almost 48,000 defined benefit retirees, readers may now understand ACPSRO's conviction that a review of pension rules and how they are arrived at is essential if the Australian public is to have any faith in future Governments' handling of these complex retirement issues.

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

Tel: 02 6248 9609
Mob: 0412 164 404
Fax: 02 6248 0709

* The “10% Cap” limits that part of regular defined benefit superannuation payouts that is not counted as income for Age pension income tests because it derives from a payback of retirees' own after-tax contributions.