

---

# Australian Council of Public Sector Retiree Organisations Inc.

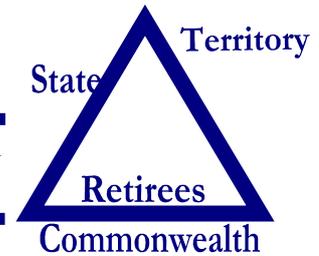
---

ABN 74 202 015 642

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

---

12 Muresk Street, Farrer ACT 2607



13 July 2016

The Hon C Porter MHR  
Minister for Social Services  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

Dear Minister,

***Social Services Legislation Amendment  
(Defined Benefit Income Streams) Bill 2015  
and the “10% Cap”***

As you will be aware, both your predecessor, Mr Morrison, and you, as well as your Department in its 11 June 2015 submission to the Senate Standing Committee for Community Affairs, have repeatedly based the justification for the 2015 Budget measure generally referred to as the “10% Cap” measure on the following:

“The change in the calculation of the deductible amount resulted in people with service prior to 30 June 1983 having a significant amount of up front employer contributions treated as personal after-tax contributions.” [page 4 of DSS submission of 11 June 2015]

No other explanation appears to have been provided for the general application of the 10% Cap to all tax-free components of defined benefit pensions.

On 9 March 2016, ACPSRO wrote to the Minister for Human Services and to you (copy attached), requesting details of all the various groups of defined benefit pensioners whose retirement incomes had been affected by the 10% Cap. In particular, ACPSRO requested details of how many affected defined benefit pensioners had no service at all prior to 30 June 1983.

On 18 May the Department of Social Services responded (copy attached), providing some information but stating that it could not provide details of how many defined benefit pensioners had no service prior to 30 June 1983. Somewhat incredulous, ACPSRO sought to confirm that by requesting, under FOI, the documents used by the Department in drafting its response to ACPSRO's 9 March request and the FOI response (copy attached) confirmed that was so.

ACPSRO is therefore at a loss to understand why a measure, apparently directed at an unknown but probably now small number of retirees who have significant pre-30 June 1983

service, should apply to all defined benefit pensioners who have a tax-free component (for whatever reason) of their retirement income. Would you please explain that?

In explaining the 10% Cap measure in May 2015, Mr Morrison claimed that some retirees on total defined benefit pensions of \$120,000 pa were able to claim a part-Age pension because they had a tax-free component of \$60,000. ACPSRO is at a loss to understand how retirees with significant pre-30 June 1983 service could realistically, given likely commencement of service dates, normal retirement ages, typical salaries on retirement for that period, etc, have generated a *tax-free* component of their final pension of \$60,000 pa. Would you please provide the worked examples that Mr Morrison and, presumably, you must have relied on to support that claim?

Probably of more immediate and practical concern, however, ACPSRO draws your attention to the effect of the 10% Cap on the majority of affected defined benefit retirees, as demonstrated in the Department's letter of 18 May. Those people, many on very modest pensions, have suffered disproportionate reductions in their retirement incomes and by no means can be considered "fat cats".

ACPSRO believes that the only just response to this situation would be to repeal the clearly misdirected 10% cap measure altogether.

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](mailto:GriffithsRD@gmail.com)

**Enclosures:**

- 1. ACPSRO letter of 9 March 2016 to Ministers**
- 2. Department of Social Services response MC16-002886 of 18 May 2016**
- 3. Department of Social Services FOI response 15/16-150 of 21 June 2016**