



Superannuated  
Commonwealth  
Officers'  
Association  
(Federal Council) Inc.

## FEDERAL OFFICE

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18 October 2016

Hon Christian Porter MP  
Minister for Social Services  
Parliament House  
CANBERRA ACT 2600

Dear Minister

### **Consultation with the Superannuated Commonwealth Officers' Association (SCOA)**

Ron de Gruchy, of WA Independent Retirees, has sent me a copy of the notes that he took when he met with you last month. He also sent me a copy of the material that he had sent you before the meeting. One of those documents was on SCOA letterhead and used the SCOA Federal Council logo, which may have led you to believe that Mr de Gruchy was representing SCOA Federal Council as well as WA Independent Retirees.

In fact, Mr de Gruchy's organisation seceded from our SCOA's Federal Council on 29 February 2016, and he had not consulted with SCOA members in formulating his proposal to introduce a plan to improve the indexation of CSS and PSS pensions, starting with those aged over 85 and gradually extending to younger age groups. If he had consulted with us, we would have pointed out that he has greatly exaggerated the cost of giving better indexation to those aged over 85, since nearly all of them would be elderly females with small reversionary pensions, eligible for a part age pension.

Our organisation believes that in the longer term, the CPI should not be used to index our CSS and PSS pensions, and would be even more inappropriate for indexing the age pension. The CPI is only a measure of pure price inflation, and does not take into account the other factors that lead to increases in prices, such as substitution of products, government regulations, etc.

We were very disappointed that Mr de Gruchy apparently failed to mention our opposition to the *Social Services Legislation (Defined Benefit Income Streams) Act 2015*, which imposed a ten percent cap on the amount of a defined benefit pension that can be excluded from the age pension income test.

The government's rationale for the cap was the so-called "anomaly" introduced in 2007, which resulted in pre-1 July 1983 employer contributions being used to purchase additional tax-free pension in some cases. However, some CSS pensioners and most PSS pensioners have purchased additional pension using their own after-tax contributions, and in such cases the ten percent cap is effectively a tax on the return of capital.

I would also like to point out that the PSS scheme did not begin until 1990, so the vast majority of PSS pensioners would have had no pre-1 July 1983 employer contributions at all. The only PSS pensioners with pre-1 July 1983 employer contributions would be the very small group of people (maybe two percent of the total number of CSS pensioners) who had chosen to transfer from the CSS to the PSS when they were given the opportunity to do so in 1990.

Since the Act sets no time limits, it is penalising some people who were not even of working age in 1983, such as invalidity retirees. Furthermore, we have been informed the ATO does not have the data that would be needed to distinguish between pre-1 July employer contributions and pensioners' own contributions. It is obvious that this Act is unfair and causes unnecessary hardship to many people on small defined benefit pensions. It should be repealed.

We are in agreement with Mr de Gruchy on the need for lower deeming rates, and we have written to you about this previously. We are also concerned that the change to the assets test taper rate, due to come into effect from 1 January 2017, is quite unrealistic, given the present very low interest rates, and sends the wrong signal to people who should be saving for their retirement.

We would appreciate the opportunity to meet with you to discuss the above matters, and other related issues, such as aged care funding and the means test for those about to go into nursing homes, etc.

Yours sincerely

A handwritten signature in black ink that reads "A. J. Barbetti". The signature is written in a cursive style with a large initial "A" and "J".

(Dr) Annette Barbetti  
FEDERAL PRESIDENT