

8 October 2018

Hon Josh Frydenberg MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Treasurer

SCOA Australia and Commonwealth superannuants

I write to congratulate you on your recent appointment as Treasurer and to introduce myself and my organisation to you. In early January 2018, I was appointed President of SCOA Australia, a not-for-profit organisation representing the interests of some 300,000 former federal and state government employees who receive a CSS or PSS pension.

A number of measures introduced in recent years have affected many of our members adversely, for example the restriction to 10% of a CSS or PSS pension that can be excluded from the income test for the age pension. This caused some severe hardship for many of our members who told SCOA that their part age pension had been cut in some cases by as much as \$378 per fortnight.

The particular issue I wanted to raise today of great concern to our members, is the way a reversionary benefit is calculated in relation to the new \$1.6 million Transfer Balance Cap (TBC). Upon the death of a primary pensioner, the TBC is calculated on the full amount of the pension although the reversionary pension is typically only around 66% of the full pension. As a result of this, some surviving spouses may find that they have exceeded the TBC and must make arrangements to reduce it. Had the TBC been calculated on the actual amount the reversionary pensioner receives, i.e. 66% of the primary pension, this anomaly would not have occurred in most cases.

In late February 2018, I had the opportunity to meet with the then Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer's superannuation and taxation adviser and raised the issue then. At the meeting, SCOA was informed that the government was aware of the anomaly and was working on arrangements to correct it.

We have followed up a number of times with Minister O'Dwyer's office (before the ministerial reshuffle in August) and have had correspondence with the Minister for Finance, Mathias Cormann and also raised the matter with Senator Jim Molan during a meeting in May 2018.

We are told that the government is still working to find a way to correct the anomaly and I am writing to ask that you please inform SCOA what progress has been made in this regard.



SCOA Australia Incorporated
PO Box 107 Mawson ACT 2607
Pearce Community Centre, Building 3/8
Collett Place Pearce ACT 2607
ABN 20 315 946 727

Phone 02 6286 7977
Email scoaaustralia@scoa.asn.au
Website www.scoa.asn.au

We acknowledge that the error was an unintended consequence of the legislation that introduced the \$1.6 million Transfer Balance Cap. However, this has been in place since 1 July 2017. I would have thought that nearly 18 months later, the government might have found a way to correct it.

We have informed our members that the government is aware of the issue; many of them are becoming angry and frustrated at the length of time it is taking for the government to find a resolution to it.

I look forward to receiving your response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Illidge', written in a cursive style.

Peter Illidge
PRESIDENT

cc: Hon Stuart Robert, Assistant Treasurer