Council of State Retirees' Associations Victoria Inc.
[Assoc. No. A0032928Z]
P.O. Box 22, Malmsbury, Vic 3446

29 September 2017

The Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Raine,

Submission to the Inquiry into the
Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No.2) Bill 2017

The Council of State Retirees' Associations Victoria (COSRAV) was alerted to the enquiry by the Australian Council of Public Sector Organisations (ACPSRO) and thanks the Committee for the opportunity to make a submission to this inquiry. I understand that ACPSRO has made a submission to the Inquiry and this submission seeks to support that submission and add to it with emphasis on superannuation pertaining to the Victorian public sector Not all members of the Committee may be aware that COSRAV is a member organisation of ACPSRO, but is itself a "peak" body whose members are organisations which aim to represent a broad range range of Victorian public sector retirees, including those from the core public service, education, water, corrective services, public transport and roads.

The majority of the retirees we represent are beneficiaries of the Victorian Government's Revised Superannuation Scheme, a Defined Benefit pension scheme which has been closed to new members since 1988. Until then it had been a compulsory scheme for "permanent" employees and featured a fixed schedule of contribution rates, dependent upon age and salary in each year of employment and is a "taxed" fund. It is administered by the Emergency Services and State Superannuation Board, which also administers a separate (accumulation) fund for Police and Emergency (fire and ambulance) Services.. It is a statutory board with government and employee representatives.

After the Revised Scheme was closed to new members in 1988, it was replaced firstly by a Defined Benefit cash-out scheme (the New Scheme) and later (mid 1990s) by a newly created accumulation fund (VicSuper) or an external fund of the employee's choice. At the same time, contributors to the Revised Scheme were given the choice to stay with it but increase their future contributions by approx. 2% of salary to allow the state employer to reduce its liabilities to minimum Super Guarantee levels, or else "freeze" their past entitlements and revert to the accumulation scheme for any future contributions.

Pensioner beneficiaries of the Revised Scheme have steadily contributed to the fund throughout their public sector careers, including the time in their lives when they were also struggling to establish homes and raise and educate their families. In return for these sacrifices, they expected to experience a secure (but rarely luxurious).retirement.

But their pensions, indexed to the CPI (as it is now calculated, with its "adjustments" for quality changes), have not kept up with actual street prices and real living costs, resulting in unexpectedly increased reliance on Age pension supplementation to maintain reasonable living standards. But, like many other superannuants, they have then found themselves unable to adjust their affairs, post-retirement, to a series of adverse, budget-driven policy changes in the rules governing taxation, Age pension and concession card entitlements that have undermined the benchmark "Better Super" reforms that were instituted by the Treasurer Costello in 2007 to encourage savings via superannuation to augment and reduce reliance on Age pensions in the future.

These adverse changes include reducing or cancelling Age pensions by raising the taper rates for the income and assets tests from 40% to 50%. This also resulted in the consequent loss of Pensioner concession cards (rescinded in the case of assets test but not the income tests, and only for past Age pensioners and not for future aspirants).

Also, many Revised Scheme superannuation pensioners have had their Age pensions slashed by the 10% cap imposed on the amounts that could be deducted from superannuation pension income assessed for the Age pension income test in recognition that part of the superannuation pension is a return of the pensioner's own tax-paid contributions. The government claimed that an anomaly in the 2007 reforms allowed some superannuants with pre-1983 service to over-claim on these deductions and a few wealthy individuals, receiving (in one hypothetical case) up to $120,000 superannuation p.a., to still claim some Age pension and its related concessions. But the Victorian Revised Scheme was built on employee contributions of well in excess of 10% and the 10% cap has hit some with superannuation pensioners receiving less than $13,000 p.a., whist the average Revised Scheme retiree receives less than $30,000 p.a. superannuation pension, often to support a spouse or domestic partner as well and at this income level a pensioner couple would have lost approx. $10,000 Age pension p.a.

Yours sincerely

Ian Thomas
Hon. Sec.,
Council of State Retirees' Associations Victoria Inc (COSRAV)
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