

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Finance and Administration Portfolio

ComSuper

Budget Estimates Hearing – May 2007

Question: F83

Outcome 1, Output 1

Topic: Plan to Simplify and Streamline Superannuation

Written Question on Notice

Senator Evans asked:

- a. The Government sought submissions on a 'Plan to Simplify and Streamline Superannuation' as a part of the consultation process prior to the final drafting of the legislation. I note ARIA made a public submission but that neither ComSuper nor MilitarySuper did so. Why didn't the Military Superannuation and Benefits Board of Trustees make a submission?
- b. Has the Military Superannuation and Benefits Board of Trustees taken up the cause of MilitarySuper members adversely affected by the tax changes? Has the Board lobbied Treasury to make sure that MilitarySuper members aren't worse off under the new proportioning rules?
- c. Are you aware whether uncertainty over this issue had caused concern amongst MilitarySuper members? Did these concerns impact significantly on ComSuper's service standards through any spikes in telephone or written queries and complaints?
- d. The Minister of Revenue and Assistant Treasurer Peter Dutton announced on the 12th of April that the "regulations will not change existing benefit options currently available to DFRDB members on the tax treatment of any commuted lump sum benefit from 01 July 2007." Has the MSBS Board lobbied the Minister and Treasury to make sure that MilitarySuper members will likewise not be disadvantaged on the payment of any lump sum benefits?
- e. Will the MSBS Board in the future lobby the Minister and Treasury to make sure that MilitarySuper members will likewise not be disadvantaged on the payment of any lump sum benefits?
- f. Will a 45 year old member of the DFRDB scheme with 25 years service who retires on the 1 June 2007 be treated any differently with regard to the tax on his commutation lump sum benefit than if he waited until the 1 July 2007?
- g. Will a 45 year old member of MilitarySuper (who transferred from the DRFDB scheme when MilitarySuper was established) with 25 years service who retires on 1 June 2007 be treated any differently with regard to the taxation of any lump sum benefit than if he waited until the 1 July 2007?
- h. If the 45 year old member of MilitarySuper (who transferred from the DRFDB scheme when MilitarySuper was established) with 25 years service had been forced to

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leave the Defence Force for medical reasons but did not qualify for a military disability pension and accessed a lump sum benefit for treatment or to support himself, would he be treated differently before 1 July 2007 than after?

i. Will a 45 year old member of MilitarySuper (who transferred from the DRFDB scheme when MilitarySuper was established) with 25 years service who retires on 1 June 2007 and accesses part of his benefit under specified grounds to treat his sick child be treated any differently with regard to the taxation of any lump sum benefit than if he waited until the 1 July 2007?

j. Will a 45 year old public servant who is a member of the PSSap and has a balance of \$100,000 and \$10,000 of this is his own after tax contributions be taxed differently if he accesses \$10,000 of his benefit under specified grounds to treat his sick child before 1 July 2007 and afterwards?

Answer:

- a) This question has been referred to MilitarySuper for response.
- b) This question has been referred to MilitarySuper for response.
- c) Before the regulations were finalised ComSuper became aware that there was some concern among MilitarySuper members.

In order to allay member concerns, ComSuper responded quickly and instigated a number of measures to ensure that accurate and reliable information was provided to members. We sought assistance from Department of Defence to issue a DEFGRAM to all members of the Australian Defence Force detailing certain aspects of the new taxation arrangements and addressing particular member concerns. Fact sheets were also sent to MilitarySuper members explaining the taxation changes and the effects of the changes on their superannuation benefits. These were also made available to members through the MilitarySuper website along with detailed examples.

A number of members did call the ComSuper contact centre for clarification of the issues. However this member contact did not adversely effect the service standards available to members.

- d) This question has been referred to MilitarySuper for response.
- e) This question has been referred to MilitarySuper for response.
- f) No. The proportioning change has no effect on DFRDB members and the current rules for applying a tax-free amount to member's benefit (both commutations and retirement pay) will continue as before. The choice is up to the member.

This DFRDB member will have exactly the same tax treatment applied to their lump sum benefit payment prior to and after on or after 1 July 2007.

- g) This member will be treated in the same was as the member in F32 A .

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h) This member will be treated in the same way as the member in F32 A. The fact that the member was medically discharged does not alter the situation.

i) The member would need to apply to Australian Prudential Regulation Authority (APRA) for approval to access the benefits.

On receiving APRA approval and the application from the member, MilitarySuper would process the benefits.

This member will be treated in the same way as the member in F32 A. The fact that the member is claiming part of their benefit via an APRA early release does not alter the situation.

j) The member would need to apply to Australian Prudential Regulation Authority (APRA) for approval to access the benefits.

On receiving APRA approval and the application from the member, PSSap would process the benefits.

This member will be treated in the same way as the member in F32 A. The fact that the member is claiming part of their benefit via an APRA early release does not alter the situation.