



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

---

12 Muresk Street, Farrer ACT 2607

10 October 2016

## **Submission to Treasury - Proposed Superannuation Reform Package - tranche two**

ACPSRO is the peak council for organisations representing retired civilian and military public sector workers from the Commonwealth, State and Territory governments. Our member organisations have long and extensive experience with defined benefit superannuation.

ACPSRO normally concentrates on matters that affect the less well provided for amongst our grass roots members. An example would be the campaign we have recently waged against what is generally referred to as the "10% Cap" measure in the 2015 Budget.

We have studied the Superannuation Reform Package Tranche Two recently published for comment by the Treasury. The package deals at length with the interaction of defined benefit superannuation with the proposal to place a limit of \$1.6m on the amount an individual may have in a superannuation accumulation account enjoying considerable tax advantages. It is proposed to count the capital value of a defined benefit stream of income in the \$1.6m. There are many reasons why we could raise objections to that idea. For example many defined benefit income streams do not allow any commutation in complete contrast to an accumulation account.

However putting such details aside for the time being, ACPSRO strenuously objects to the method proposed for assessing the value of a defined benefit stream of income. It is claimed that the proposal to use a factor of sixteen times the annual amount of a defined benefit pension payment is to provide a simple valuation rule based on general actuarial considerations. No qualified actuary would endorse such a crass approach. It completely ignores that, like an annuity, the value of the "capital" behind a defined benefit income stream diminishes as the superannuant nears the end of their life. A defined benefit superannuant receiving \$30,000 pa with one year to live would love to be paid out at the valuation of sixteen times \$30,000.

Looked at another way, the proposal appears to provide an exorbitant benefit for currently serving senior public servants who are members of defined benefit schemes. Their life expectancy would greatly exceed the factor of sixteen times the annual amount of their retirement pension. At the very least, this creates an appearance of a conflict of interest for any who advised the Government on this aspect.

To not put too fine a point on it, that part of the proposed Reform Package is arbitrary and grossly over-simplified. It needs significant modification.

Richard Griffiths  
National President  
Australian Council of Public Sector Retiree Organisations (ACPSRO)

Tel: 02 6248 9609 E-mail: GriffithsRD@gmail.com  
Mob: 0412 164 404