



ACPSRO

Australian Council of Public Sector
Retiree Organisations

Who we are

ACPSRO, formed in 1997, provides a united voice on the retirement issues relevant to Commonwealth, State and Territory public servants and Defence retirees who receive Defined Benefit Superannuation Pensions to which they had to compulsorily contribute from their after tax income. These issues impact upon the well-being of more than one million Australian households. The majority of these retirees provided front line services to the community including teaching, nursing, emergency services, transport services, energy, the provision of infrastructure, the needed administrative services to support these essential functions and the defence and security of our country. We simply ask to be treated fairly compared to other retirees.

Key Issues for public sector retirees and ACPSRO

The superannuation arrangements for public sector retirees are often perceived to be generous even though the average defined benefit pension received is about the same as an Age Pension. This has resulted in governments across the country introducing changes which have negatively impacted on the standard of living of those we represent. ACPSRO, and its member organisations, continue to lobby governments to reverse these changes and preserve the benefits retirees have built up from years of dedicated public service.

- **Indexation**

The value of public sector pensions is eroded significantly over time relative to the retirement incomes of others as the CPI indexation arrangements of their pensions do not reflect either increasing real wage levels in the community or changes in the cost of living faced by retirees over the course of their retirement. The Age Pension is more fairly indexed (Attachment 1).

***Action Sought:-** Given our experience with inadequate indexation arrangements, we call upon all governments to apply the provisions of the Defence Force Retirement Benefits Legislation (Fair Indexation) Act to all defined benefit pensions so their real value is maintained and so those retirees, including under 55-year-old superannuants, invalidity benefit pension recipients, and reversionary benefit pension recipients, are not further disadvantaged.*

- **Taxation of Public Sector Pensions**

Unlike retirees receiving the benefit of tax-exempt account based pensions and lifetime income streams, plus generous taxation concessions during the accumulation of those benefits, the pensions of those we represent are generally still subject to income tax in retirement. They also face significant taxation imposts when seeking to supplement their retirement income with additional work or investments. These taxation imposts are the direct effect of conscious government decisions which resulted in public sector superannuation schemes being un-funded even though all private sector employers are legally required to fully fund their employees' superannuation.

***Action Sought:-** Given the Commonwealth Government's encouragement for retirees to access lifetime income streams by providing generous taxation and welfare concessions to such retirement products, we seek the application of the same rules to defined benefit income streams.*

- ***Aged Pension Access and the 10% Rule***

In order to improve their retirement income, many public sector retirees made additional after tax contributions to their compulsory superannuation during their working life. However, changes made in 2016 to the Age Pension income test requirements have restricted the amount of their total contributions which could be deducted from their retirement income when assessing their age pension entitlement to 10% of their superannuation pension. This has resulted in many low income retirees having their retirement incomes significantly reduced as their entitlement to the Age Pension was significantly reduced or lost altogether. As a result most of the budget savings are provided by low income pensioners, not the high income retirees who were supposedly benefiting from a loop hole introduced in the 2007 Simpler Super reforms.

Action Sought:- As only 60% of a lifetime income stream product is assessed when determining a non-public sector retiree's entitlement to an Age Pension, ACPSRO seeks that the same arrangements apply to public sector superannuants

- ***Access to Commonwealth Seniors Health Card (CSHC)***

No asset test is applied to older Australians who are seeking a CSHC. It is only assessed according to income received, plus deemed income from any financial assets held. This means that a couple on a public sector pension of more than \$90,000 p.a. or a single person with a \$60,000 p.a. pension are ineligible for a CSHC. In contrast retirees in receipt of an account based pension or a SMSF are still eligible for a CSHC even though they may have up to \$2.4 million in personal assets and also be in receipt of an account based pension in excess of the amounts referred above.

Action Sought:- That all retirees are provided with a CSHC once they reach the age of 70.

- ***Cost of Public Sector Pensions***

Like the cost of the Age Pension, the cost to the public purse of the superannuation pensions of those we represent is transparent and frequently the subject of media commentary focusing on the level of expenditure provided annually to fund the pensions of retired public servants and former Defence personnel. This commentary ignores the fact that successive governments failed to fund the superannuation pensions of their employees and serving members of the Defence Force. Instead, they used those funds to provide public infrastructure and the public services sought and enjoyed by all Australians.

Action Sought:- That the balance sheets and income statements of governments be adjusted to explicitly recognise that past governments have borrowed from the future entitlements of their employees to fund the provision of infrastructure and public services and that present day payments to fund pension entitlements are not payments of income to retirees, but are capital payments against the liability incurred as a result of past decisions.

- ***Sustainability of Australia's retirement income system***

Both the Age Pension and the provision of public sector pensions are highly transparent in terms of their cost to governments. Additionally, these costs are mostly well targeted to those retirees in most need of support. These costs are, however, becoming dwarfed by the cost of tax concessions and superannuation funds management fees associated with our current retirement income system. These costs are largely hidden from view and are targeted towards the top 15 to 20% of retirees who receive benefits which dwarf any which retired public servants or Defence personnel receive.

Action Sought:- That governments do not introduce changes that negatively affect either the Age Pension or pensions received by retired public servants or Defence personnel when seeking to offset the increasing and largely hidden negative impacts that the current superannuation arrangements have on the budget.

Cumulative percentage increases in the age pension, MTAWE and CPI from January 1989 to end December 2018

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