ACPSRO
Australian Council of Public Sector Retiree Organisations

10 April 2024

Good morning,

James Kirby, writing in The Australian on 9 April 2024, compared two quite different pension schemes.

Mr Kirby stated “ many former public servants are on capped DB incomes which are tax-free up to $118,750 per annum”. These public servants have purchased a fully funded indexed lifetime income stream which is subject to completely different taxation arrangements than those faced by our members.

While funds which offer these products may refer to them as “defined benefit” pensions they are quite different to the unfunded defined benefit pensions received by our members, who do not benefit from a tax free income up to $118,750.

The pensions received by our members are subject to normal income tax arrangements. As we have stated in our submission, should such defined benefit income streams be deemed under the regulations to be derived from a fund in excess of $3 million the marginal rate of tax paid is likely to be 45%.

Such defined benefit income streams do not benefit from the concessional taxation arrangements applying under the superannuation guarantee arrangements, including those applying to fully funded indexed lifetime income streams.

The Economics Legislation Committee needs to be aware of this distinction between the taxation arrangements applying to unfunded defined benefit pensions and fully funded lifetime income streams being marketed as “defined benefit” pensions.

As we stated in our submission, and again above, the defined benefit pensions received by our members do not attract the concessions targeted by the Div 296 tax arrangements and should be exempted from that legislation.

Yours sincerely

John Pauley
President
ACPSRO