

**To the Committee Secretary
Senate Standing Committees on Community Affairs
Canberra**

**Social Services Legislation Amendment
(Fairness and Sustainable Pensions) Bill 2015**

Dear Sir/Madam

The Tasmanian Association of Superannuants (TASS) represents the interests of retired state servants in Tasmania who receive a defined benefit superannuation pension. We have 1400 financial members.

We wish to bring to your attention a number of serious concerns we have with the measures contained in this Bill relating to the proposed 10% cap on the proportion of defined benefit income that can be excluded from the income test for the age pension

We have been advised by our superannuation fund (Retirement Benefits Fund) that 9137 members are presently receiving a defined benefit pension and potentially 5500 of those superannuants could be affected by this new measure.

These measures will discriminate against superannuants who have compulsorily contributed throughout their working lives to provide an income stream in retirement. Providing for one's own income stream in retirement is what the Government and the retirement industry claim is in the best interests of the country and older persons.

The majority of retired superannuants did not have the opportunity to avail themselves of the tax saving benefits of salary sacrificing and based on the existing legislation many forewent the opportunity to take a lump sum.

Should this change be considered at all, at the very least it should be grandfathered and only be considered for pensions commencing after 1 January 2016 if at all.

Advice provided last week to the Senate Community Affairs Legislation Committee was that this change is expected to affect more than 30 % of defined benefit pensioners or approximately 47,700 and that the average loss of pension will be \$2500 per year.

Figures that we have been provided with by our superannuation fund (RBF) is that 82 % of Tasmanian superannuants receive a defined benefit pension of less than \$50k so it is evident that many of these superannuants will lose part of their age pension supplement.

These potential pension reductions will obviously apply to many superannuants on defined benefit superannuation pensions much lower than the example of \$120,000 quoted in Minister Morrison's media release of 12 May 2015.

Based on the advice of our fund :

48% of RBF superannuants receive a defined benefit pension of less than \$25,000 per annum and potentially stand to lose \$15.90 of their part pension per fortnight.

34% of RBF superannuants receive a defined benefit pension between \$25,000 and \$50,000 per annum and potentially stand to lose \$68 of their part pension per fortnight.

These new measures could have the unintended consequence of significant social welfare planning directed at more people choosing to take their superannuation as a lump sum rather than as an income stream. This could then in fact result in more people qualifying for a full age pension rather than relying on their own lifetime income stream with a small age pension supplement as is now the case for many.

Encouraging people to take a lump sum rather than a defined benefit superannuation pension would also be contrary to the recommendations of the Intergenerational Report that strongly supported the concept of people providing for their own lifetime income stream in retirement.

The Government recently stated that there would be no changes to superannuation in this term of this government or the next but this is clearly a significant change that adversely affects our superannuation.

It appears that these changes are being rushed through the parliament with virtually no notification to those defined benefit superannuants who will be negatively impacted. The only public notification of these changes appears to be one paragraph in Minister Morrison's 12 may media release.

Why is there a rush to introduce these changes effective from 1 January 2016 when other proposed changes to the pension will not be introduced until 2017.

We support our retired military colleagues but if this measure is to be applied to all other defined benefit superannuants why will military superannuation schemes be exempted ?

Due to the limited time available since becoming aware of the measures contained in this Bill we have had insufficient opportunity to fully investigate its full impact and consequences. The passage of this Bill should be delayed until we can consult with

our membership as we believe that the vast majority of the 47,700 people who will lose part or all of their pension have no knowledge of these intended measures.

In summary we believe the Bill unfairly targets defined benefit superannuants and is an unwarranted attack on modest pension incomes of older retiree's who compulsorily contributed to their own lifetime income stream. It has the potential to have serious unintended consequences by encouraging superannuants to take lump sums rather than life time superannuation pensions.

It is also contrary to the Government's promise not to make any changes to superannuation in this term of the Government.

Should this measure proceed at all, at the very least it should be grandfathered to pensions commencing after 1 January 2016.

Thank you for your considerations.

Murray Harper

President
Tasmanian Association of State Superannuants

12 June 2015