

Submission to

The Senate Standing Committee on
Finance and Public Administration

Into

Provisions of the Superannuation
Amendment Bill 2007

By

The CPSU, the Community and Public
Sector Union

June 2007

1. This submission is in response to the decision by the Senate on 21 June 2007 to refer the provisions of the *Superannuation Amendment Bill 2007* (the Bill) to the Senate Finance and Public Administration Committee for inquiry and report.
2. The CPSU appreciates the opportunity provided by the Committee to provide this submission. Representatives of the CPSU are available to appear before this Committee.
3. The CPSU represents the interests of over 180,000 current public sector employees, over 100,000 preserved or deferred contributors, and over 120,000 pensioner in the Superannuation Act 1976 (CSS), the Superannuation Act 1990 (PSS), and the Superannuation Act 2005 (PSSap).
4. The CPSU generally supports the changes announced in the 2007 Federal Budget as reflected in the draft Bill in regard to the civilian public sector superannuation schemes. The amendments and enhancement proposed by the Bill relevant are to:
 - Remove the compulsory employee contribution from the CSS from 1 July 2008;
 - Allow employees in the PSS to leave this scheme and join another scheme from 1 July 2008;
 - Consistent with general community standards, allow the early release of superannuation to members of the CSS from 1 January 2008. It is noted that similar changes will be made to the PSS via proposed amendments to the PSS Trust Deed;
 - It is noted that the proposed increases for the PSS Maximum Benefit Limit from 8 times (8x) to 10 times (10x) is also proposed to be established by amendment to the PSS Trust Deed;.
 - Provide for the retrospective restoration of certain previously cancelled spouse pensions; and
 - Make some technical changes around *Better Super* reforms.

It is noted that the Bill also proposes some amendments to the DFRDB Act. The CPSU makes no comment regarding these proposed amendments.

Comments on proposed Changes

5. Removal of compulsory contributions in CSS. CPSU supports this initiative.
6. Given the complexities of the CSS and to ensure that employees can make an informed choice CPSU recommends that detailed information is provided to employees about this arrangement and the financial implications. In addition, the CPSU recommends there be included a requirement that employees be provided with financial advice, funded by their employer before being able to cease their contributions.
7. Allow employees to leave the PSS and join another scheme. CPSU supports this initiative.
8. Given the complexities of the PSS and to ensure that employees can make an informed choice CPSU recommends that detailed information is provided to employees about this arrangement and the financial implications. In addition, the CPSU recommends there be included a requirement that employees be provided with financial advice, funded by their employer before being able to elect to leave the PSS.
9. Allow the early release of employee's superannuation in the CSS. CPSU supports this recommendation and notes that a similar change is proposed in the PSS by an amendment to the PSS Trust Deed / Rules.
10. Allow retrospective restoration of previously cancelled spouse pensions. CPSU supports this initiative.

11. The CPSU is not aware how it is intended to make this decision available to the public. It is recommended that information, given the age profile of potentially affected persons, could be circulated via Centrelink and organisations like the Combined Pensioners Association and the Superannuated Commonwealth Officers Association.
12. Technical Amendments in Relation to *Better Super*. The CPSU has no objection to these amendments

Additional suggested changes to the proposed Bill

13. The CPSU believes that it is appropriate for this Committee to consider and support a number of additional amendments which will modernise the CSS and PSS and abolish the current discrimination of interdependents, including same sex partners that applies in both the schemes. All these matters below have been raised by the CPSU in discussions with representatives of the Department of Finance and Administration on an ongoing basis.
14. Introduction of Salary Sacrificing. The CPSU believes that consistent with general superannuation arrangements that public sector employees in the CSS and PSS should be able to access salary sacrificing into these schemes.
15. Introduction of Transition to Retirement. In November 2004 Treasury released a public consultation paper around Transition to Retirement policy. The CPSU provided a submission to this paper supporting the introduction of Transition to Retirement, including for these arrangements to apply to defined benefits superannuation schemes like the CSS and PSS.
16. In April 2005, the then Minister Mal Brough announced regulations which would allow Transition to Retirement for 1 July 2005. It should be noted that Treasury and Government rejected requiring Transition to Retirement arrangements in defined benefit schemes, including the CSS and PSS.

17. The CPSU believes that the introduction of Transition to Retirement arrangements into the CSS and PSS would provide a significant incentive for public sector employees to remain in employment after age 55.
18. Changing CSS and PSS pension indexation from CPI to Male Total Average Weekly Earnings (MTAWE). The CPSU has previously provided submission to Senate Committees on this point and two Senate Committees since 2000 have supported that this change in indexation arrangements and have recommended its implementation to Government. The CPSU continues to seek this change as a means of providing greater equity and a method of indexation that better relates to general movement in wages.
19. Rectify the reversionary pension benefit that discriminates against employees in an interdependency (including same sex) relationship. The CPSU has continued to identify the ongoing discrimination in both the 1976 (the CSS) Act and the 1990 (the PSS) Act in regard to the exclusion of people in an interdependency relationship from receiving a reversionary benefit on death of the CSS or PSS member or pensioner.
20. On 22 June 2007 the Human Rights and Equal Opportunity Commission (HREOC) released its report into the Same-Sex: Same Entitlement National Inquiry. The CPSU provided a submission to this Inquiry which included our identification of the CSS and PSS Act discriminating against same sex partners¹. The CPSU notes that the report recognises this discrimination.
21. The HREOC report recommends ² a simple omnibus amendment to the laws. The CPSU supports this HREOC recommendation.
22. Change the Taxation arrangements for employees in “untaxed” superannuation schemes. The introduction of the *Better Super* changes on 1 July 2007 introduce changed taxation arrangements for employees over the age of 60. The CPSU in its submission to Treasury and other parties

¹ HREOC Same-Sex: Same Entitlement National Inquiry report page 380.

² HREOC Same-Sex: Same Entitlement National Inquiry report page 382 - 387

who provided submissions to the Senate Standing Committee on Economics inquiry last year identified an inequity in regard to the treatment of employees in “untaxed” superannuation funds. This inequity was recognised by the Committee where it unanimously recommended *“The Government should consider separately assessing, for taxation purposes, superannuation income streams and additional assessable income”*³.

23. The CPSU recommends that this Inquiry reaffirm its support for this recommendation and seek Government support to this change.
24. Comments regarding CPSU suggested Additional Changes. It is noted that the Government and general industry support for employees to consolidate their superannuation. It seems inconsistent with this approach where employees who wish to avail themselves to these new arrangements have no choice but join an additional superannuation scheme.
25. It is also noted by the CPSU that it is claimed by Government and the Department of Finance and Administration that a number of the proposed amendments being considered by this Committee are about providing “flexibility and incentives to contribute to superannuation that are available in the broad community”⁴. The CPSU does not accept that this flexibility should require employees to join another fund if they wish to access salary sacrificing, transition to retirement or to avoid the interdependency discrimination. Clearly, this approach is entirely inconsistent with the Government’s objective to simplify and consolidate employee superannuation.
26. In addition, in regard to transition to retirement and interdependency, any perceived benefit would only become available as the employee progressively accumulates superannuation savings into another fund, denying all benefits accumulated in the CSS and PSS(db).

³ The Senate Standing Committee on Economics paragraph 3.59

⁴ Superannuation Legislation Amendment Bill 2007 Explanatory Memorandum page 1.