



Superannuated
Commonwealth
Officers' Association
(Federal Council) Inc.

PO Box 107
MAWSON ACT 2607
Phone: 02-6286 7977
Fax: 02-6286 7999
E-mail: fedoffice@scoa.asn.au
ABN: 66 313 469 900

24 October 2006

The Editor
Australian Financial Review
GPO Box 506
SYDNEY NSW 2001

Dear Sir

The AFR Editorial of 24 October 2006, "Union's super target too high" reported that "After recent changes to superannuation which made retirement benefits tax-free for over-60's, the system is simpler and provides more incentives for saving than it did even a few years ago."

There is no doubt that the Government's announced changes, to commence from 1 July 2007 will be welcomed by many superannuants. However, there will be many who will receive little if any benefit from the changes. These will be superannuants whose super is sufficiently low that they are not now paying tax due to the application of tax rebates such as the Senior Australian Tax Offset, (SATO), or the Low Income Tax Offset, (LITO). Those to benefit most will be those on higher superannuation pensions.

Contrary to popular belief, Commonwealth and Defence superannuants receive modest superannuation pensions, averaging \$20,649 (which is less than the married rate of Age Pension).

These superannuants will not receive tax free super from July next year. They will, instead, receive only a 10% tax offset because their superannuation comes from an untaxed source, untaxed because of successive Governments' decisions not to fund their superannuation. Many of these superannuants will receive little if anything from the Government's *Simpler Super* initiatives, initiatives that our association otherwise applauds.

Despite two separate Senate Committees recommending that the Government change the way its former employees' pensions are indexed, i.e. from the CPI to the better of the CPI and Male Total Average Weekly Earnings (MTAWE), the Government refuses to approve the Senate Committees' recommendations.

Federal MPs' pensions are indexed via movements in their parliamentary salaries and allowances. This indexation is considerably more generous than the method used for other retired Australians. Extraordinarily, the Government would have us accept that this is fair.

Yours sincerely

John Coleman
Federal Secretary