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Senator the Hon Penny Wong  
Minister for Finance and Deregulation  
PO Box 6022  
Parliament House  
CANBERRA ACT 2600

Dear Senator Wong

Please find attached a copy of the Superannuated Commonwealth Officers' Association (SCOA) Budget Submission for 2011-2012 forwarded to the Treasurer and Deputy Prime Minister, the Hon Wayne Swan.

Two core issues would provide a wide range of direct and flow-on benefits. In the broader budget context, they are affordable and we are not asking for special treatment, just fair treatment.

- It is generally acknowledged that the CPI is not effective in measuring inflation. This is why we are asking the Government to index Commonwealth Superannuation pensions by the same percentage increase as applies to the base rate of the single person age pension. Indexation in this way would assist the widows of pensioners, those on lower incomes including many women who had short or broken work service, retired public servants who were in unskilled or semi skilled jobs and those who were invalided out of the service.
- Equal tax treatment and equitable income assessment of Commonwealth Superannuants when compared to other pensioners in both unfunded and funded superannuation schemes is essential. This would increase the tax free thresholds for those over 60 years, increase access to the Commonwealth Seniors' Health Card (CSHC) and a range of other discounts. It would also enable more public sector pensioners to gain a higher level of access to the Senior Australian Tax Offset (SATO) and to the Low Income Tax Offset (LITO). This would result in a more equitable treatment of the superannuation and non-superannuation income and assets for all seniors in the community.

SCOA represents over 500,000 people across Australia with branches in every state and the ACT. A wide range of members including those who served in PNG, teachers, nurses, other health workers, firemen and the AFP are eligible to receive Commonwealth funded superannuation. Some of the largest departments such as Agriculture, Fisheries and Forestry, Centrelink, and Immigration and Citizenship have employees across Australia, many of whom retire outside the ACT.

Many retired public servants are on lower incomes. The latest publicly available figures from ARIA (June 2010) indicate that the average CSS pension was \$26,963.00 and for PSS recipients it was \$19,631.00. Many couples live on this pension. Addressing issues relating to Commonwealth funded superannuation is much more than a Canberra issue where some, but not all, public servants receive higher than average pensions.

Governments have the capacity to fund important Government programmes and initiatives when they have the political will to do so. The ALP in particular prides itself as being the champion of fairness and equity. What we are asking for is affordable and fair. Neither the former Coalition

Government nor the then ALP Opposition balked at the cost of introducing fair indexation for the Age Pension and most other Government pensions in 1998. Similarly, they did not balk at the cost of recently improving the indexation of some Veterans' Affairs pensions.

We understand that the Government has pressures from all quarters of the community for funds and is dealing with the aftermath of major floods. However we do not consider that this is sufficient to negate the fairness principle established by 3 Senate Committees in 2001, 2002 and 2008. We note that you were a member of the 2002 Committee and supported its recommendations.

Indexing our civilian pensions would cost less than \$208m in the first four years and there would be some clawback from increased tax revenue and reduced Age Pension expenditure. As numbers in the CSS and PSS are declining, any future outlays would be manageable. We would suggest that if the Government is worried about the budget bottom line, then the Future Fund which had \$69.3b in it at 30 September 2010 be used for these purposes.

The costs need to be put into perspective. Large unfunded liability figures are often quoted for indexation. We understand the need to calculate them, but quoting these figures is equivalent to quoting the price of a home mortgage plus interest for 25 years and concluding that it is not affordable based on one's current income. Very few people would refuse to invest on this basis.

We are aware that both you and the Treasurer received advice from the Secretaries of the Treasury and the Department of Finance and Deregulation in the July 2010 Economic Statement that the underlying cash deficit of \$40.7 billion could be returned to surplus from 2012-13. In just two years, a figure equal to the amount of unfunded liability estimated over 45 years for the indexation of public sector civilian pensions could be recouped by the Government.

Similarly, since the July 2010 Economic Statement, updated information about the 2009-10 outcomes has led the Government to reduce its taxation revenue estimates by around \$300m in each year of the forward estimates. It would appear that the cost of four years of providing fair pension indexation is less than the annual fluctuations in revenue which Treasury and Finance handle routinely in managing the Australian economy. On this basis, the cost of public sector civilian indexation reform is affordable.

Attachment B of our submission shows how vastly different tax treatments of pensioners can be inequitable resulting in over \$6,000 difference in the tax treatment of non-super income. This is unnecessary and discriminatory and should be rectified in a number of areas. Again we recognize that this would represent revenue foregone, but the principle of equity for seniors which is also affordable makes good public policy sense.

We urge you to redress these tax and indexation issues in this budget. We would be pleased to meet with you and the Treasurer early this year to discuss these issues.

Yours Sincerely



Dr Annette Barbetti  
President SCOA  
25 January 2011



Dr Vivienne Teoh  
Federal Secretary SCOA  
25 January 2011