

A CASE OF DISCRIMINATION RELATING TO THE DISCOUNTING OF AGE PENSION INCOME AS A RESULT OF INCOME FROM VICTORIAN GOVERNMENT SUPERANNUATION OFFICE - A DEFINED BENEFIT SCHEME.

SUMMARY

This statement seeks to make the case for discrimination experienced by beneficiaries of the Victorian Government Superannuation Office Revised Scheme (Now known as ESSSuper Emergency Services and State Super) as a result of a decision relating to new taxation arrangements from July 1st 2007 favouring those Revised Scheme members who retired from active service after June 30th 1994 as distinct from those who retired prior to this date.

BACKGROUND

Prior to 1st July 2007 many retirees in receipt of Revised Scheme pensions were also entitled to a Centrelink part aged pension. At this stage the entire Revised Scheme Pension was regarded as income for the C/L Age Pension. As a result of the taxation adjustments of July 1st 2007 those who retired from active service *after* June 30th 1994 were able to have as much as 50% of their ESSSuper income discounted as income for the purposes of C/L age pension. By contrast those in Revised Scheme who retired from active service *before* June 30th 1994 have a significantly smaller amount discounted as income for the C/L pension.

The nett result is that those retiring after 30th June 1994 have in general a significantly greater income entitlement from Centrelink. This apparent discrimination is the substance of this case

THE ANALYSIS

This is rather complex and is best illustrated with a specific case however the general formula for the two scenarios is as follows:

- ✚ **Discounted pension for retirement after June 30th 1994.** It is first required to determine a fraction to be applied to the ESSSuper income and this is created by dividing the time between commencement of duty to 1 July 1983 by the time between the commencement of duty and July 1st 2007. (My own case is illustrated in the attached spread sheet)

Eg	(a) Commencing date for employment	1 st January 1952
	(b) Mid term reference date	1 st July 1983
	(c) ATO adjustment date	1 st July 2007
	(b) less (a)	= 11,504 days NUMERATOR
	(c) less (a)	= 20,270 days DENOMINATOR
	Fraction	= . 0.5675

In terms of current C/L pension this represents an increase entitlement of \$96.36 per fortnight (Subject of course to other income)

- ✚ **Discounted pension for retirement before June 30th 1994.** The computations are quite complex, involving longevity, total contributions, super contributions in excess of \$1200 prior to 30 June 1983, current UPP and other parameters. (My own case is illustrated in the attached spreadsheet)

In terms of the current pension this represents an increase entitlement of \$36.89 per fortnight (Subject of course to other income)

DISCRIMINATION

This case is typical of the discrimination experienced by me and my colleagues in similar circumstances and it is respectfully requested that amendments be made to the A TO rules to allow those retiring before June 30th 1994 equal access to the taxation concession of July 1st 2007.

Irving Stephens

[removed for privacy reasons]

Friday, July 31, 2009 (Re printed November 18th 2008)

Attachments

- 1. Spreadsheet illustrating retirement AFTER June 30th 1994**
 - 2. Spreadsheet illustrating retirement BEFORE June 30th 1994**
-

COMPUTING THE VALUE OF GOVERNMENT SUPER FOR CENTRELINK PURPOSES FOR THOSE RETIRING AFTER 30TH JUNE 1994

a	Starting Date for employment	1/01/1952	<div data-bbox="1086 295 1736 383"> <p>This is the data given to me by Ion Whykes which I think is accurate</p> </div>
b	Mid term point	1/07/1983	
c	Current reference point	1/07/2007	
	b minus a =	11504.00	<div data-bbox="1086 470 1736 558"> <p>These are the days computed from Excel and start from Jan 1900</p> </div>
	c minus a =	20270.00	
	Ratio =	0.5675	<div data-bbox="1086 614 1736 686"> <p>This is the ratio above</p> </div>
	Annual State super Pension =	\$14,483.30	
	New GSO Value for Centrelink	\$ 8,219.83	<div data-bbox="1108 782 1747 989"> <p>I have contacted the GSO and have been referred to a statement on my July 6th 2007 "Important Information about your pension" viz "<i>If your pension commenced prior to 30 June 1994 your deductible amount for the means test remains the same</i>" Why the arbitrary date of 30 June 1994 - needs investigation!</p> </div>
	New amount in Age pension	\$ 2,505.39	
	Fortnightly C/L pension increase	\$ 96.36	

CALCULATION OF DEDUCTIBLE AMOUNT FROM CENTRELINK PENSION FOR RETIREMENT BEFORE 30TH JUNE 1994							
No	Member	STEPHENS	Irving			Life expectancy @ retirement	
1	Member No	9074110					
2	Date of Birth	25/05/1933	59.97			18.89	78.86
3	Spouse DOB	13/08/1949	44.01			36.99	81.00
4	Pension Start	15/05/1993					
5	UUPP re calculation	30/06/2007					
6	Member cont's	\$ 57,167.34					
7	Post 83 undeducted Cont's		\$36,338.78				
8	Pre 83 excess cont's		\$ 7,870.30				
9	UPP at pension start		\$44,209.08			\$ 1,924	
10	Higher life expectancy (Mandated)		36.99				
11	Annual UPP deduction		\$ 1,195.16				
12							
13	Yrs from pension start to 30/06/07		14.13				
14	14		\$16,881.68				
15	UUP @ 30/06/07		\$27,327.40				
16	Factor for member at 30/05/07		11.398				
17	Annual deductible amount		\$ 2,397.56				
18	Fortnights		26				
19	Fortnight deductible amount		\$ 92.21				
20	Maximum age pension adjustment		\$ 36.89				
21	Note Pension increase is @ 40% of deductible amount						