

20 April 2016

Ms Gabrielle Woods
Inquiry Secretary
Legislative Council
Parliament House
Hobart Tas 7000

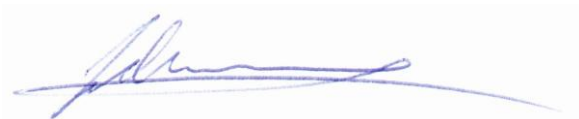
Dear Ms Woods

RBF Unfunded Liability Inquiry

Please find attached a submission from the Tasmanian Association of State Superannuants Inc. (TASS). We have also forwarded our submission electronically to your nominated email address.

If the Inquiry committee wishes to discuss the TASS submission with some of the members of the TASS Executive , I can provide contact details to you.

Yours faithfully



John Minchin

Secretary

Tasmanian Association of State Superannuants Inc Submission
to the Legislative Council Government Administration Committee 'A'
RBF Unfunded Liability Inquiry April 2016

The Tasmanian Association of State Superannuants (TASS) is a voluntary organisation incorporated in Tasmania.

TASS is recognised by the State Government and RBF as the lead association representing the interests of RBF Contributory Scheme Life Pensioners.

TASS liaises with the State and Federal Governments, the RBF, and partner organisations on superannuation matters affecting its members.

Its purpose is to look after and promote the best interests of State Superannuants - i.e. those that have retired from State service and are in receipt of an RBF Contributory Scheme Life Pension from the Retirement Benefits Fund (RBF) Board, or those still working who are members of the RBF Contributory Scheme.

With regard to the RBF Unfunded Liability Issue, TASS makes the following comments -

- We assume Treasury will make a submission to the Inquiry addressing some of the issues being raised.
- The Unfunded Liability issue is clearly an issue for Government, and is not the fault of RBF Contributory Scheme members or the RBF, nor are the actions required to manage this issue the responsibility of RBF Contributory Scheme members.
- The RBF Defined Benefit Scheme has always been unfunded in terms of employer contributions, with the employer contribution to the scheme being met on an emerging basis (ie a monthly payment to RBF after the members retire).
- TASS understands that in 1994, the Tasmanian Government established a fund (the Superannuation Provision Account) to begin to address the RBF Unfunded Liability issue. This fund was kept under Government control rather than being placed within the RBF where it would be invested for the benefit of members (thus reducing the amounts that Government Agencies and businesses would need to contribute each year). This fund was abandoned in 2012-13, and the money was then used for other purposes.
- Individuals are often advised that in respect of personal investment, the earlier you invest funds, the larger the end benefit. This is a result of the compounding of interest over time. The same argument can be mounted for re-establishing a fund to

address the unfunded liability. Money could be invested and managed by the proposed Superannuation Commission. Government agencies and businesses would still need to provide contributions to fund RBF Contributory Scheme pensions, but over time, the new fund would begin to reduce the required contributions.

- There have been a number of State politicians of various persuasions that have used the RBF Unfunded Liability Issue as an excuse to label the scheme "gold plated" and to label RBF Life pensioners as "fat cats" who are in some way sucking the State dry. This is grossly mischievous and misleading, and avoids proper scrutiny of the true cause of the problem. It is not the fault of pensioners that they are living longer. If the schemes had been properly funded, there would be sufficient funds to cope with this change. Indeed, we understand that in some jurisdictions contributory life schemes have coped quite well in the face of changes to the age demographics.
- It is a fact that the money that could have been set aside in a fund to help meet the employer's contribution (and hence to reduce the unfunded liability), has instead been utilised to benefit the State in many other ways. For example in building infrastructure (such as electricity generation, hospitals, ports, bridges and roads), for the benefit of all Tasmanians.
- Every so often the unfunded liability issue is raised in the public arena by politicians, and yet successive Governments of all persuasions, and the many politicians that have served in the Parliament over the years are the ones that should have been doing something about it.
- The issue of unfunded liability must be clearly separated from the ongoing benefits of the RBF Defined Benefits schemes. The schemes comprised a key part of the conditions of employment of past and present State Service employees who are members of the RBF Contributory Schemes. The schemes are contributory and members' contributions were compulsory, a fact often overlooked during these discussions. Government has an obligation to maintain the funding until there are no members left in the schemes. There should be no consideration of making any changes that would impact on pensions in any way whatsoever. So the unfunded liability issue must remain focussed on how best to provide the required funds. As has been indicated in the Notice of the Inquiry, Government contributions are currently increasing at about 6% per annum. However this will peak within the next few years, then decline steadily to zero.
- In all of the above circumstances TASS submits it would be both grossly unreasonable and politically insensitive to make any negative changes to arrangements for the Contributory Scheme.