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ARIA starts, to serve your interests better

Your new Trustee, ARIA, started its job on 1 July 2006.

The PSS and CSS Boards merged to create the Australian Reward Investment Alliance, a simplified, sustainable and more effective governance structure which will greatly enhance our ability to serve the interests of members.

ARIA – your new Trustee:

- > manages the PSSap, PSS and CSS – representing over \$15 billion on behalf of 298,000 members
- > is appointed by the Australian Government as the default Fund for Australian Public Service agencies to ‘act in your best interests’, a responsibility which is protected by law
- > represents 30 years’ experience working for Australian Government employees and employers
- > maximises your benefit through the cost efficiency of a pooled investment trust, and
- > is in line with Australian Government best practice corporate governance principles.

Our purpose and values remain the same

Our purpose is to help past, present and future Australian Government employees and their families make the

most of their financial future. We do this by aiming for consistently good returns at a low cost through disciplined investment frameworks. We also provide you with information and general advice to help you develop the knowledge and skills you want to manage your super confidently.

We value our responsibilities to manage and invest the Fund according to ARIA’s policies to maximise the benefits to members and to act in members’ best interests. We also value trust through collaboration, stewardship, cleverness, integrity, courage and community.

What’s in a name?

Feedback encouraged us to create a name that better reflected our purpose and role:

- > Australian – we work for Australian Government employees who work for the Australian community
- > Reward – we believe that Australian Government employees deserve to be rewarded with world-class superannuation arrangements
- > Investment – our core activity is to manage the investments of the Funds to maximise benefits for members
- > Alliance – we bring world-class service partners together to work in the best interests of members

PS. Our logo uses the seven points of the Federation Star to illustrate the super lifecycle – we are with you from small beginnings through growth to retirement.

Budget 2006 update

On 9 May 2006 the Government announced a plan to simplify and streamline superannuation pensions.

These changes were introduced to Parliament on 7 December 2006 and are expected to be debated over the next few months, before taking effect on 1 July 2007.

Accordingly, the following information may be subject to change.

What are these changes and how will they affect your pension?

The proposed changes impact differently on untaxed (unfunded) and taxed (funded) pensions. Generally, PSS pensions come from both an untaxed and a taxed source.

The portion of your pension which comes from an untaxed source is the pension you purchased with your employer component. The portion of your pension which comes from a taxed source is the portion purchased with your member and/or funded productivity components. This is the component for which you may currently be receiving a tax offset.

From 1 July 2007 onwards, under the proposal:

If you are aged 60 years or over (or you are receiving a reversionary pension where your spouse died aged 60 years or over)

The portion of your pension which comes from an untaxed (unfunded) source will continue to be included in your assessable income and it will be taxed at your Marginal Tax Rate (MTR). You will, however, be eligible for a 10% tax offset which will be calculated on the total amount of the untaxed portion of

your pension. This offset will be directly applied to your fortnightly pension from payday 5 July 2007, unless you advise us in writing that you wish to claim the amount annually in your tax return.

The portion of your pension which comes from a taxed (funded) source will be tax free and will not be included in your taxable income.

If you are under the age of 60

The portion of your pension which comes from an untaxed (unfunded) source will continue to be included in your assessable income and it will be taxed at your Marginal Tax Rate (MTR). Once you reach 60 years of age you will be eligible for a 10% tax offset which will be calculated on the total amount of the untaxed portion of your pension. This offset will be directly applied to your fortnightly pension, unless you advise us in writing that you wish to claim the amount annually in your tax return.

The portion of your pension which comes from a taxed (funded) source will also be included in your assessable income and will be taxed at your MTR (after taking into account your current deductible and tax offset amounts). Once you reach 60 years of age, this amount will be tax free and will not be included in your taxable income.

Example

Values are rounded and are for illustration purposes only. The example includes the Medicare levy and excludes any other rebates/offsets, including the Senior Australian Tax Offset. It also uses 2006/07 tax rates and assumes that you are claiming the tax free threshold and do not receive any additional income.

The example is based on a fortnightly pension of \$1,100.00, consisting of the following components:

The portion of pension which comes from an untaxed (unfunded) source = \$900.00

The portion of pension which comes from a taxed (funded) source = \$200.00

How you are currently taxed

Under the current arrangements you would be required to pay tax at the Marginal Tax Rate (MTR), which is approximately \$164.00. The current tax arrangements also allow you to claim a 15% offset on the portion of your pension which comes from a taxed source, and you may also be entitled to a deductible amount.

Proposed tax on pension – pensioners aged 60 or over at 1 July 2007

The taxed component of your pension of \$200.00 – this amount will be tax free and will not need to be reported in your tax return.

The untaxed component of your pension of \$900.00 – you will be entitled to claim a 10% offset amount on the total untaxed pension i.e. $\$900.00 \times 10\% = \90.00 .

Under the new arrangement, your tax on the untaxed pension would be as follows:

\$110.00 (MTR on the portion of your pension which comes from an untaxed source) less \$90.00 (10% offset under the new arrangements) = \$20.00

When will I know if my tax has been reduced?

You will be advised via your July 2007 CPI advice letter.

Are your children eligible for part of your pension?

The subject of death is never one we want to dwell on for too long, especially when it is the subject of your own death.

However, it is important to understand what benefits your family is entitled to and what will happen to your pension in the event of your death.

In order to get a good grasp on the issue, the terms *Child* and *Eligible Child* are important to understand so you know who may be eligible to receive part of your pension.

The PSS Act provides for a pension benefit to be paid to an eligible child on the death of a pensioner.

Certain legislative criteria must be met to determine if a person is considered a child and if they are eligible to receive part of your pension.

An *eligible child* is a child of the deceased person who:

- > is under the age of 16; or
- > is between 16 and 25 years of age and, studying on a full-time basis, and is not engaged in full-time work; and
- > immediately before the date of death was living with the deceased pensioner and was wholly or substantially dependent on the deceased pensioner; or
- > if born after the date of death, would have lived with or been wholly or substantially dependent on the former pensioner.

The PSS Act also provides for a pension to be paid to a partially dependent child.

A *partially dependent child* is a child of the deceased pensioner (including an adopted child, an ex-nuptial child, a step child or any other person whom ARIA determines is to be treated as a child of the former pensioner) who:

- > is under the age of 16; or
- > is between 16 and 25 years of age, studying on a full-time basis, and is not ordinarily engaged in full-time work; and
- > on whose behalf the deceased pensioner made regular maintenance payments immediately before the date of death.

Documentation required to support a child's application for pension

An application for a child's pension must be accompanied by the child's full birth certificate, the child's bank account details (if the child handles his/her own financial affairs) and, if the child is between 16 and 25 years of age, evidence of studying full-time. The signature of the Registrar (or Principal) and the school's stamp on the child's benefit application form are sufficient proof that the child is studying on a full-time basis.

Applications for a partially dependent child's benefit must also be accompanied by evidence that the child has been receiving regular maintenance payments from the former pensioner up to the date of death. This evidence may be in the form of a court order, letter from the child support agency or a bank statement.

How the Consumer Price Index (CPI) is calculated

On the first payday in January and July each year, your pension is increased if there has been an upward movement in the Consumer Price Index (CPI) over the previous six months (either from March to September or September to March). The Australian Bureau of Statistics determines the CPI by surveying the costs of the following categories of goods and services: food, alcohol and tobacco, clothing and footwear, housing, household furnishings, supplies and services, health, transportation, communication, recreation, education and miscellaneous items.

Once we know the CPI number, we do a calculation (see below) to see if your pension is due for an increase. If the new CPI number exceeds the highest of any previous March and September CPI numbers, we increase your superannuation benefit.

Consumer Price Index

On 25 October 2006 the Australian Bureau of Statistics announced a CPI change of 2.5% for the March 2006 to September 2006 period. To arrive at that figure, the following calculation was made:

$$\frac{(\text{Sept 2006 CPI no.}) - (\text{March 2006 CPI no.})}{(\text{March 2006 CPI no.})} \times 100 = \text{CPI change (March to Sept 2006)}$$
$$\frac{(155.7 - 151.9)}{151.9} \times 100 = 2.50164\%$$
$$= 2.5\%$$

(when rounded to the nearest tenth of one per cent)

Therefore, on payday 4 January 2007, your superannuation pension will be increased by 2.5%. If you would like more information about the CPI, go to www.abs.gov.au

Latest date to make changes to your banking details

We need seven days notice before the pension payday to make a change to your bank account details. For example, if you changed your bank account and you wanted it to take effect on payday 18 January 2007, you would need to tell us no later than 12 January 2007. **But, whatever you do, don't close your existing account until your payments start going into your new account.**

Keeping your address up-to-date

It is **most** important that we have your correct residential and postal address. If your pension mail is uncollected it is likely to be returned to us. If two mail articles are returned to us, we will try to find a new address for you but if we can't, we may stop your pension. To avoid any disruptions to your regular payments, **let us know if you change your residential or postal address.**

If you are planning to be away from home for an extended period of time, for example, if you are going on an overseas holiday, it is also a good idea to make sure your mail will be secure in your absence. A solution is to notify us of another address that your mail can be sent to while you are away, so that it is not returned to us, or left unsecured.

Your Reference Number

Your reference number and the superannuation scheme from which you receive your pension are shown on the enclosed pension increase advice letter. Please quote your reference number whenever you contact us. It helps us to quickly identify you and speeds up your enquiry.

How to contact us

Email: If you are receiving a pension from PSS please use the following email address to contact us: **pensions@pss.gov.au**

Phone: You can dial **1300 001 777** from anywhere in Australia for the cost of a local call (mobile charges apply to mobile phones). We are available between 9.00am and 5.00pm Eastern Time Monday to Friday.
Pensioners with a hearing impairment can use a special TTY facility: **02 6272 9827**

Fax: Enquiries can be sent by fax to **02 6272 9614**

Postal address: PSS, PO Box 22,
Belconnen ACT 2616

Street address: Unit 4 Cameron Offices, Chandler Street,
Belconnen, ACT 2617

Web: You can visit our website at **www.pss.gov.au**

Service satisfaction

We want you to be completely satisfied with our service, but if you feel you need to make a complaint just call us on **1300 001 777**. If you are not satisfied with the response, ask to speak to a supervisor. If you still feel the issue has not been explained or resolved to your satisfaction, ask to be transferred or contact the Complaints Officer directly:

Phone 02 6272 9081
Fax 02 6272 9804
Email complaints@pss.gov.au
Post The PSS
Complaints Officer
PO Box 22,
BELCONNEN ACT 2616

The Superannuation Complaints Tribunal (SCT) is an independent arbitrator set up by the Australian Government to resolve any complaints. You can lodge a complaint with the SCT free of charge if you are dissatisfied with our response or we cannot resolve your situation within 90 days.

Phone 1300 780 808
Fax 03 8635 5588
Email info@sct.gov.au
Web www.sct.gov.au
Post Superannuation
Complaints Tribunal
Locked Bag 3060
GPO MELBOURNE
VIC 3001

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