

## Feature

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## More details on 'Better Super'

In the July edition of Pension Update, we outlined the Government's change to tax on superannuation arrangements which came into effect on 1 July 2007.

These changes affect the tax treatment of your pension, depending on your age and whether or not your pension comes from a taxed or untaxed source.

The enclosed pension advice letter details your new rate of pension payable from the first payday in January 2008, as well as details of the new tax components of your pension.

### What do we mean by 'comes from a taxed or untaxed source'?

In simple terms, a component is said to have come from a taxed source if tax has already been paid on the contributions and accumulated earnings that make up that component. If tax has not been paid on those contributions and earnings, it is said to have come from an untaxed source.

Because components which come from a taxed source have already been taxed, they attract tax concessions, or are tax-free when you withdraw your super or receive your pension, depending upon your age and circumstances. If you are over age 60, this portion of your pension is tax-free.

Amounts which come from an untaxed source have not yet been taxed and are taxed at your marginal tax rate when you withdraw your super or receive your pension regardless of your age. If you are over age 60, you will receive a 10% tax offset on this portion of your pension.

### The tax-free component

You don't pay any tax on any pre-July 1983 taxed component or the non-concessional (formerly 'undeducted') contributions component of your pension as it has come from a taxed source.

### The taxed component

This concessional tax component comes from a taxed source and may attract a tax offset or be tax-free depending on your age. Before 1 July 2007 this component was known as the post-June 1983 component.

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**Table 1 - Tax treatment of pensions based on age and component**

	Percentage of tax payable on a taxed source (non-indexed pension)		Percentage of tax payable on an untaxed source (CPI-indexed pension)	
	Tax-free component	Taxable component	Tax-free component	Taxable component
<b>Under 55</b>	0%	Your marginal tax rate	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate plus the Medicare levy
<b>55-59</b>	0%	Your marginal tax rate less a 15% tax offset	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate plus the Medicare levy
<b>60 and over</b>	0%		There is no tax-free component for pensions from an untaxed source	Your marginal tax rate less a 10% tax offset plus the Medicare levy

**A new look payment summary for the 2007/08 financial year**

In July 2008 your payment summary will be slightly different from the payment summaries you have received before.

Because of the changes to the way pensions are taxed, from 1 July 2007 we are only required to report your assessable income and the amount of tax deducted from your assessable income on your payment summary if you are over age 60. The table below shows an example of how assessable income is calculated.

Gross pension	\$40,000
Less: tax-free component	\$10,000
<b>Assessable income for tax purposes</b>	<b>\$30,000</b>
Amount of tax deducted*	\$4,056

*\*Assumes that the tax-free threshold and no concessions are being claimed. Amount of tax deducted is based on marginal tax rates as per tables issued by the Tax Office.*

Previously your payment summary only showed your gross income and the amount of tax deducted from that income.

It is important that you keep your payment summary as you will need to submit it with your annual tax return for the 2007/08 financial year unless you prefer to use the e-tax facility offered by the Tax Office (see 'Working with the Tax Office to make tax returns easier for pensioners').

Payment summaries are sent out at the end of each financial year. You will receive your new look payment summary with your June 2008 CPI package.

**The untaxed component**

This component consists of the part of your pension which comes from an untaxed source. It consists of your employer component and any pre-July 1990 productivity contributions. This type of benefit was previously referred to as 'unfunded'.

If you would like any further information on the tax changes and the impact they may have on your pension, we have a handy fact sheet at [www.css.gov.au](http://www.css.gov.au) or call us on 1300 001 777.

## Working with the Tax Office to make tax returns easier for pensioners

Recently the CSS administrator, ComSuper, joined forces with the Tax Office to make preparing tax returns easier for CSS pensioners.

As a result, since August 2007, retired CSS members have had their electronic tax returns pre-filled with payment summary information provided to the Tax Office by ComSuper.

This means that if you submit your tax return electronically you no longer need to manually input your pension information from your payment summary into your tax return.

The superannuation income pre-filling initiative is currently in its pilot stages. Pleasingly, the ATO advises that a number of pensioners are already using its e-tax facility.

## How to save time when applying for a spouse benefit

Although it is never a topic that is easy to discuss, it is important for your spouse to know what documentation they need to provide when applying for a spouse benefit in the event of your death. This can assist in preventing delays in determining a spouse's benefit entitlement and payment.

For a spouse to be eligible for a benefit under the provisions of the CSS, you must have lived with your spouse in a 'marital relationship' for a period of at least three years prior to your death. The term 'marital relationship', introduced into legislation in 1993, removes the inconsistencies between the treatment of married and de facto spouses.

### What does 'marital relationship' mean?

A person had a 'marital relationship' with another person if the person ordinarily lived with that other person as their husband or wife on a permanent and bona fide domestic basis. Please note, this definition does not include same sex couples.

To help us to determine if a spouse's benefit is payable, we may need additional information to establish any of the following at the time of your death:

- > that you and your spouse were legally married at the date of your death
- > that your spouse was wholly or substantially dependant on you at the time of your death
- > any other information that is considered relevant and necessary in order to determine eligibility.

There may be circumstances where your spouse will be requested to provide additional evidence. This may be because the 'marital relationship' was for less than three years; you and your spouse were not legally married; you and your spouse were not living together at the time of death, or we need further clarification regarding the details provided in the application for a spouse's benefit.

Additional evidence we may request could include:

- > Statutory Declarations noting the reputation and public aspects of the applicant's relationship with the deceased pensioner
- > evidence of property purchase, rental agreements, deeds or insurance certificates relating to the marital home
- > evidence of joint bank accounts or investments
- > evidence of utility accounts in joint names (i.e. electricity, phone etc)
- > evidence that the applicant was nominated as the beneficiary on any other superannuation entitlements
- > evidence of joint health insurance
- > evidence of joint insurance policies
- > evidence of joint Medicare Card details; or
- > evidence from Centrelink confirming 'couple' or 'partnered' details.

If your spouse was separated from you at the time of your death and the separation was illness related, we require a letter from your treating physician or nursing home manager attesting to the illness and the consequent need to leave the matrimonial home.

## Restoration of Reversionary Pensions

The *Superannuation Act 1922*, the *Defence Forces Retirement Benefits Act 1948* and the *Defence Force Retirement and Death Benefits Act 1973* have recently been amended to restore previously cancelled spouse pensions for remarried widows and widowers.

Although CSS pensions were never ceased due to remarriage, you may know of someone who may have had their pension cancelled under one of these schemes previous arrangements who was affected. From 1 January 2008 anyone who previously had their pension cancelled in these circumstances can apply to have their cancelled pension restored in full. Pensioners who only had their pension partially restored can also contact us to apply to have their pension fully restored.

If you think someone you know might be eligible, please ask them to call us on **1300 001 877** or visit **[www.comsuper.gov.au](http://www.comsuper.gov.au)** for more information.

## How the Consumer Price Index (CPI) affects your pension

On the first payday in January and July each year, your pension is increased by any 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 (ABS) 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 updated CPI number, we calculate (see below) whether your pension is due for an increase. If the new CPI number exceeds all of the previous September or March CPI numbers, we increase your payment by this factor. If the new CPI number does not exceed the highest of these previous numbers there is no increase in your pension.

There was no increase in your pension due to CPI for July 2007. This occurred because the March 2007 CPI figure of 155.6 was less than the previously announced figure of 155.7 for September 2006.

The next CPI update will occur when the most recent CPI figure exceeds the higher of all previously announced values; that is, the most recent CPI figure will need to exceed the September 2006 value of 155.7.

On 24 October 2007 the ABS announced a CPI number of 158.6 for the September 2007 quarter. As the September 2007 number was higher than the September 2006 number of 155.7, an increase of 1.9% is payable. This increase will be made from 3 January 2008.

### How the CPI is calculated

On 24 October 2007 the ABS announced a CPI change of 1.9% and the following calculation was made:

$$\frac{(\text{Sept 2007 CPI number}) - (\text{Sept 2006 CPI number})}{(\text{Sept 2006 CPI number})} \times 100 = \text{CPI change (March to Sept 2007)}$$
$$\frac{(158.6 - 155.7) \times 100}{155.7} = 1.862556197\%$$
$$155.7 = 1.9\%$$

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

Therefore, on payday 03 January 2008, the part of your superannuation pension that is subject to CPI increases will be increased by 1.9%. If you would like more information about the CPI, please go to the ABS website at **[www.abs.gov.au](http://www.abs.gov.au)**

## Changing bank account details?

If you are planning to change your bank account details, we require seven calendar days notice before the payday from which you would like your new arrangements to apply from to allow us to make the change. For example, if you wanted your payment to be deposited into your new account on payday 31 January 2008, you would need to tell us in writing no later than 25 January 2008.

### Important information regarding changing your bank account

It is important that you do not close your existing account until your payments start going into your new account (please note that we are unable to make payments to overseas bank accounts).

## Be sure your address is up-to-date

To avoid any disruptions to your regular payments, let us know if you change your postal address or plan to be away from home for an extended period of time, such as during an overseas holiday. It is a good idea to ensure your mail is secure and to leave a forwarding address and other contact details during your absence.

If your pension mail is not collected it will be returned to us. If two mail articles are returned to us we will attempt to find your new address. However, if we cannot find you we may have to stop your pension.

So, to prevent any delays in payment, please let us know where you would like your mail to be sent while you are away.

## Using your CSS Reference Number

Your superannuation scheme and your Reference Number are provided on the enclosed pension advice letter. Please quote your Reference Number whenever you contact us as it helps us to quickly identify you and respond to your enquiry.

## Sudoku

6	9		4				3	
					6	5	4	9
		3	1	7				2
	8			9		4		3
	1		2		7		5	
9		2		8			1	
5				2	3	8		
8	3	1	9					
	7				8		6	4

(solution on page 6)

Every digit from 1 to 9 must appear:

- > In each of the columns
- > in each of the rows
- > and in each of the nine boxes.

## Your feedback counts!

We welcome your feedback as it helps us to continue to deliver a valuable service to our pensioners. Before publishing each issue of the CSS Pension Update we conduct a focus group meeting to help ensure the publication continues to meet your needs.

Members of the focus group are drawn from the readership and discuss the newsletter, its stories and style, and any other publications or information accompanying the package.

If you would like to have input into the next edition, or if you have any suggestions about how to improve the CPI package, including this newsletter, please email us at [pensions@css.gov.au](mailto:pensions@css.gov.au) or write to CSS, PO Box 22, Belconnen ACT 2616.

We also annually survey a representative sample of pensioners who receive a pension advice package. If you have been selected to participate in this year's survey you will find a survey in your package.

We appreciate you taking the time to complete the survey. Please complete the survey by 31 January 2008 and return it in the reply paid envelope or contact ORIMA Research on 1800 806 950 (free call).

## Your satisfaction is important to us

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 our 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 to or contact the Complaints Officer. You may contact the Complaints Officer directly by:

**Phone** 02 6272 9081  
**Fax** 02 6272 9804  
**Email** [complaints@css.gov.au](mailto:complaints@css.gov.au)  
**Post** The CSS Complaints Officer, PO Box 22, Belconnen ACT 2616

If you are not satisfied with the handling of your complaint, you may contact the Superannuation Complaints Tribunal (SCT). The SCT is an independent organisation set up by the Australian Government to assist members in resolving certain types of complaints about their superannuation with fund trustees. You can lodge a complaint with the SCT free of charge if you are dissatisfied with our response or we cannot resolve your complaint within 90 days. You can contact the SCT directly by:

**Phone** 1300 780 808  
**Fax** 03 8635 5588  
**Email** [info@sct.gov.au](mailto:info@sct.gov.au)  
**Web** [www.sct.gov.au](http://www.sct.gov.au)  
**Post** Superannuation Complaints Tribunal, Locked Bag 3060, GPO Melbourne, VIC 3001

## How to contact us

**EMAIL** [pensions@css.gov.au](mailto:pensions@css.gov.au)

**PHONE** 1300 001 777 from anywhere in Australia for the cost of a local call (mobile charges apply to mobile phones). We are available between 9.00 am and 5.00 pm Australian Eastern Standard Time (AEST) Monday to Friday.

Pensioners with a hearing impairment can use a special TTY facility: 02 6272 9827

**FAX** 02 6272 9614

**POSTAL ADDRESS** CSS, PO Box 22, Belconnen ACT 2616

**STREET ADDRESS** Unit 4 Cameron Offices, Chandler Street, Belconnen ACT

**WEB** [www.css.gov.au](http://www.css.gov.au)

### Sudoku answers

4	9	3	8	1	5	6	7	2
5	7	2	4	9	6	1	3	8
1	6	8	3	2	7	4	9	5
9	1	7	5	8	3	2	4	6
8	5	6	7	4	2	9	1	3
3	2	4	1	9	6	5	8	7
2	8	9	6	7	1	3	5	4
6	4	5	6	3	8	7	2	1
7	3	1	5	2	4	8	9	6

#### WARNING - THIS DOCUMENT CONTAINS GENERAL ADVICE OR INFORMATION ONLY

The information in this document is general information only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider any advice in this document in light of your personal objectives, financial situation or needs before acting on it. You may wish to consult a licensed financial planner to do this. If you are looking at acquiring a financial product you should obtain a Product Disclosure Statement and consider its contents before making any decisions.

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