

# INVALIDITY RETIREMENT

ON 1 May 1987 the *Superannuation Act 1976* was changed. The effect of the changes is that many superannuants who retire hurt and who earn personal income other than investments will have their pensions reduced if their income exceeds a certain amount. This applies to Commonwealth public servants and to members of the AFP who have been contributors to the scheme.

People who have already been retired on invalidity grounds have received a letter from the Commissioner for Superannuation explaining the formula on which the new arrangements are based. For those considering, or being considered for, early retirement because of incapacity, some of the details are reported here so that they can take full account of the implications. In some cases it might be advantageous for some to resign or take age retirement rather than be 'boarded out'.

The Government has stated that the purpose of the changes is to contain the rate of invalidity retirements and related costs of the Commonwealth Superannuation Scheme. The Super Fund is showing a very high rate of return on its investments, but this performance is of little advantage to contributors if the profit is eroded by excessive payouts.

The Act now contains provisions which will require persons under age 65 receiving Commonwealth Superannuation invalidity pensions to inform the Commissioner for Superannuation if they are receiving personal earnings by way of salary, wages, commissions, fees (including director's fees) or other amounts for services rendered or work performed.

The legislation requires that invalidity pensions payable to persons receiving personal earnings must be reduced on a dollar for dollar basis where the income limit set out in the Act is exceeded by the sum of their personal earnings and their 'maximum' invalidity pension payable (the pension that would be payable if all such retirees took invalidity benefits totally in the form of pension, rather than part pension and lump sum). The current income limit is the greater of 75 per cent of updated retirement salary or \$19,200 per annum. The amount of \$19,200 per annum will be adjusted each year in line with increases in the Consumer Price Index.

Invalidity pensioners are now legally obliged to provide the Commissioner for Superannuation with details of personal earnings received at 1 May, or which they commence to receive after that date. If they are receiving or commence to receive personal earnings, they are also legally obliged to provide an estimate of earnings for the next 12 months.

Here is an example: Retirees at January this year with a salary of \$31,211 are on a total income limit of \$23,408 (75 per cent of current salary), and less if they elected for a lump sum. And whatever they earn — \$5000, \$10,000, \$15,000 — they can retain only \$1561 above the adjusted pension payable to stay within that income limit of 75 per cent of current updated equivalent of final salary.

There are 74,000 former Commonwealth employee pensioners and superannuants, 38 per cent or 28,000 of whom are retired on invalidity grounds, that is,

with higher benefits than if age alone was involved.

From a survey by the Australian Bureau of Statistics last year only 12.4 per cent of the 28,000 were employed at some time in 1985 and their average earnings were \$4540. And only 1.3 per cent had earnings from employment and their pension which exceeded their previous salary.

Of concern to some members of the AFP is the fact that the AFP, for one reason or another, seems to produce a larger proportion of young invalidity retirees than does the rest of the public service, and most of these people are not totally unfit for work. Some of them are capable of earning income.

Nevertheless, the total number of members likely to be affected is small. Even then, the after-tax income (depending on the tax bracket into which the member's income falls) will be but marginally affected.

In any case, after a member reaches the minimum retiring age, the member can elect to forgo the invalidity pension and become an age retiree. The requirement to notify the Superannuation Board of any extra earnings then ceases, as does the requirement to attend a medical board of review.

Investment income is not 'personal earnings' for the purpose of the new calculations. Members can own shares or building society deposits or real estate and collect the income. Of course, going around and collecting rents would earn income, and that portion of earnings attributable to the actual collections would have to be declared.

## BILLABONG P.D.

