Secure and sustainable pensions — increase in the Age Pension age

<table>
<thead>
<tr>
<th>Expense ($m)</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrelink</td>
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<td>0.1 0.4</td>
<td>0.1 0.1</td>
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<tr>
<td>Department of Families, Housing, Community Services and Indigenous Affairs</td>
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<td>Total</td>
<td>0.0 0.8</td>
<td>0.1 0.4</td>
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The Government will increase the qualifying age for the Age Pension and the Commonwealth Seniors Health Card for men and women to 67 years of age from 2023. The transition to the higher Age Pension age will commence in July 2017, with the qualifying age increasing by six months every two years, to reach 67 on 1 July 2023. This timeline dovetails with the current process for increasing the female Age Pension age, which is being increased from 63.5 today to 65 years of age by July 2013. The current Age Pension age for men is 65.

The Intergenerational Report projected that the percentage of people aged over 65 will increase from 13 per cent to 25 per cent by 2047, reflecting changing demographics and increases in life expectancy. When the Age Pension was introduced in 1909, a male retiring at age 65 would have expected to spend 11 years in retirement. At that time, around half of the male population reached retirement age. Today, over 85 per cent of the male population reaches retirement age and can expect to spend over 19 years in retirement.

This measure will help reduce the long-term cost to the budget of a substantial and growing expenditure, contributing to the return of the budget to surplus and the reduction of net debt.
Secure and sustainable pensions — increase to pension payments

The Government will provide $14.2 billion over five years (including $4.5 million in 2008-09 for administration changes) to improve the financial security of pensioners. The new pension package (comprising the base pension and the Pension Supplement) will deliver the following increases:

- a $32.49 per week increase for single pensioners on the full rate of pension; and
- a $10.14 per week (combined) increase for couple pensioners on the full rate of pension.

These increases will be provided in two forms, through an increase in the base rate of pension for singles; and through an increase in a new Pension Supplement for both singles and couples.

The Government will provide a $30 per week increase in the single basic pension rate.

For the new Pension Supplement, the Government will provide:

- a $2.49 per week increase for singles; and
- a $10.14 per week combined increase for couples.
These increases bring the amount paid to singles to two-thirds (66.3 per cent) of that received by couples combined. This new ratio applies across both the base pension and new Pension Supplement.

The current benchmark of the single base pension to Male Total Average Weekly Earnings will be lifted by more than 10 per cent, from 25 per cent to 27.7 per cent. This new benchmark will be enshrined in legislation.

The measure will also make pension payment arrangements simpler and easier to understand for pensioners. From 20 September 2009, the Goods and Services Tax pension supplement, Pharmaceutical Allowance, Utilities Allowance and Telephone Allowance will be consolidated, together with the increases noted above, into the new Pension Supplement.

The Pension Supplement will be paid fortnightly, in conjunction with the base pension. From 1 July 2010 pensioners will have greater choice under the new arrangements in how frequently they receive the pension supplement. Around half of the Supplement will become available on a quarterly basis.

These increases in assistance will apply to recipients of the Age Pension, Service Pension, Disability Support Pension, Carer Payment, Bereavement Allowance, Widow B Pension, Wife Pension, Income Support Supplement and to War Widow/ers, and will take effect on 20 September 2009. The new Pension Supplement will also be provided to Widow Allowees, Partner Allowees and other income support recipients over age pension age.

The measure will also introduce new flexible advanced payment arrangements for pensioners to help them meet unexpected expenses. Under new arrangements, pensioners will be able to seek more than one advance per annum, with the maximum amounts increased to three times the maximum weekly basic pension (more than $700 for each member of a pensioner couple and more than $900 for a single pensioner) or 7.5 per cent of the annual pension entitlement, whichever is the lower. Advances will be repaid over six months by direct deductions from pension payments.

A new Seniors Supplement will be established for Commonwealth Seniors Health Card holders and veterans eligible for the Gold Card. The Seniors Concession Allowance and the Telephone Allowance will be consolidated into the new Seniors Supplement. The single rate of the Seniors Supplement will include an extra $129 a year, to bring it to two thirds of the rate paid to couples combined.

Existing Pensioner Tax Offset and Senior Australian Tax Offset arrangements will continue to ensure that maximum rate pensioners do not pay tax. Some part-rate pensioners on higher incomes, including some who already pay tax, will pay tax on the pension increase.
Secure and sustainable pensions — new carer supplement

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<tr>
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<th>2008-09</th>
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<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
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The Government will provide $1.8 billion over five years (including $384.8 million in 2008-09) to improve assistance to carers through the introduction of a new carer supplement, in recognition of the contribution carers make in caring for people with disabilities and the frail aged. The new supplement will be ongoing and non-taxable. The first payment will be made by 30 June 2009 with subsequent payments starting from 1 July 2010.

The new supplement will provide:

- $600 per annum to all Carer Allowance recipients for each person being cared for; and
- $600 per annum to all Carer Payment recipients.

People who receive both Carer Payment and Carer Allowance will be eligible for both payments.

The existing Child Disability Assistance Payment of $1,000 per annum for carers who are paid Carer Allowance (child) will continue.
Secure and sustainable pensions — social security agreements with Latvia, the Czech Republic and the Slovak Republic

<table>
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<tr>
<th>Expense ($m)</th>
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<tr>
<td>Department of Families, Housing, Community Services and Indigenous Affairs</td>
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</table>

**Related revenue ($m)**

| Australian Taxation Office | - | - | .. | .. | .. |

The Government will provide $4.9 million over four years to extend the current network of reciprocal social security agreements to include Latvia, the Czech Republic and the Slovak Republic.

These agreements are expected to commence on 1 January 2011 and will improve access to the Age Pension for people who live for a time in both Australia and the nations who are party to the agreements. Australia and these nations will share responsibility for the pension, each paying a proportion of their pension based on relevant eligibility criteria and the period of residence or insurance that recipients have accrued in each country.

These agreements also deal with ‘double coverage’ of superannuation by removing the obligation for an employer to make compulsory superannuation or social security contributions in two jurisdictions in respect of the same work done by the same employee sent to work in the other jurisdiction. The employer’s superannuation (or social security) obligation will instead remain in the employee’s home country.
Secure and sustainable pensions — tighten the income test taper

The Government will increase the income test taper from 40 to 50 cents in the dollar for a single pensioner and from 20 to 25 cents in the dollar for each member of a couple, for income above the relevant income free threshold. This threshold is currently $138 per fortnight for single pensioners and $240 per fortnight for pensioner couples (combined).

As part of this measure, the higher income test threshold for pensioners with children (currently $162.60) will be abolished to align the pension income test with the allowance and family payments income tests. This recognises that assistance with the care of children is provided directly through Family Tax Benefit and Child Care Benefit.

Existing part pensioners affected by the income test changes will keep existing entitlements, maintained in real terms, plus an increase of $10.14 per week for singles or couples combined.

These measures to tighten the income test will help ensure that pension payments are better directed to those with less private means.

To increase incentives to undertake paid employment, an income test concession for employment income will be introduced for people of Age Pension age and for veterans of Service Pension age. Employment income will be assessed fortnightly, with only half of the first $500 of fortnightly employment income to be counted in assessing their pension entitlement.

This measure will provide savings of $1.6 billion over five years (including $0.4 million in administrative costs in 2008-09) and will commence on 20 September 2009.