

22 June 2009

Senator Siewert
Chair
Community Affairs Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Siewert,

Re: Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009

I am writing to you about the Government's recently announced intention to raise the income test taper rate for the age pension from 40 cents to 50 cents in the dollar.

While we welcome the improvement in the base rate of the age pension, particularly the higher increase for single pensioners, we are concerned that the increase in the taper rate goes far beyond its stated purpose and will cause hardship to many people, particularly couples subject to the income test. Since Commonwealth superannuation pensions are indexed to the CPI, their value increases more slowly than the age pension and, since most Commonwealth superannuation pensions have to support a couple, most Commonwealth superannuation pensioners eventually become eligible for a part age pension. With the increase in the taper rate, those of age pension age who are not yet receiving a part age pension will have to wait longer before they get a smaller pension than they would have received under the old rules.

The Government has stated that the purpose of the change in the taper rate is to prevent the full flow on of the base rate increase, as recommended by the Harmer Review. However, it will do much more than that.

The Government has also stated that the grandfathering provisions will mean that existing pensioners will not be worse off. However, as Dr Hickman of the SA Superannuants has shown, existing part age pensioners subject to the income test will eventually be forced onto the new higher taper rate. Those who will be affected include many people of very modest means who are subject to the income test, for example couples with combined private incomes as low as \$12,000. Such people will be required to accept a reduction in their standard of living. However, it will not affect part age pensioners subject to the assets test, who have been receiving higher pensions in the past year due to the lowering of the deeming rate. It would appear that income tested age pensioners are being forced to help provide a pension increase for better off asset pensioners.

This measure has been described as targeting welfare payments to those most in need. I would like to point out that, after these changes, many of the Commonwealth and Defence superannuants reaching age pension age after 20 September 2009 will still have only modest incomes, since most of them belong to couples subject to the income test, not the assets test. Those of us who are already of age pension age are still waiting to hear the outcome of the Matthews Review, we are not going to receive any increase in our Commonwealth superannuation pensions on 1 July 2009, and our future now looks bleaker than ever.

I therefore ask you to support the increase in the base rate of the age pension while opposing the proposed increase in the age pension taper rate.

Yours sincerely
Annette Barbetti
Federal President
Superannuated Commonwealth Officers' Association

Superannuated Commonwealth Officers' Association

The Superannuated Commonwealth Officers' Association (SCOA) is a not-for-profit member organization representing more than 400,000¹ people nationwide.

For more than 85 years, SCOA has been representing the interests of:

- Retired Australian and Territory Government employees and Government business enterprise employees;
 - People in the public service who will receive a Commonwealth superannuation benefit or lump sum on retirement;
 - Former employees who have deferred (preserved) their pension entitlement;
- and
- The dependants of all of the above.

SCOA aims to enhance the welfare of former Australian government employees and their dependants by pursuing favourable outcomes for members in areas such as indexation of pensions, taxation issues and legislative reform, and by enhancing relationships with relevant organisations such as ComSuper, the CPSU, and other public sector and retiree organisations.

SCOA has branches in each Australian State and the Australian Capital Territory and is managed nationally by a Federal Council with representation from each branch. The Federal Office in Canberra, ACT provides secretariat and operational support.

¹ Includes Commonwealth CSS, PSS and 1922 scheme members who are contributors, have preserved benefits or are receiving a pension a Commonwealth superannuation pension as at 30/06/07.