



Lower the Pension Age

Party: Australian Greens

Summary of proposal:

This proposal would reduce the Age Pension age eligibility to 65 as per the progression below.

	Current	Proposal
2023-24	67 years	66 years
2024-25	67 years	65 years and six months
2025-26	67 years	65 years and six months
2026-27 and onwards	67 years	65 years

The proposal would have effect from 1 July 2023, and would apply the higher Age Pension rates as per ECR558 – *No One in Poverty* to newly eligible Age Pensioners who do not receive an increase in income support under that policy.

Adding the financial impact of this costing (ECR559) to ECR558 provides the combined cost of lowering the Age Pension age of eligibility and all of the changes to the income support payments under ECR558.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by around \$9,100 million over the 2022-23 Budget forward estimates period. This impact reflects a net increase in administered expenses and departmental expenses that would be slightly offset by an increase of personal income tax revenue.

The proposal would have ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The estimates in this costing are based on de-identified Services Australia administrative transfer payment data. The estimated financial implications of this proposal are sensitive to indexation and population growth rates used to project the payment data through to 2032-33. The estimates are also sensitive to the assumption that transfer payment recipients would not change their behaviour in response to the proposal.

As specified in the request, this costing provides the incremental cost of lowering the Age Pension age in conjunction with the changes outlined in ECR558. It should not be read alone.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-	-2,305.0	-3,305.3	-3,485.7	-9,096.0
Underlying cash balance	-	-2,305.0	-3,305.3	-3,485.7	-9,096.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The take up rate of the Age Pension for the newly eligible population would be comparable to Age Pension take-up rates for those aged around the existing earliest age of eligibility.
- The impact on recipients administered by the Department of Veteran Affairs is deemed immaterial and therefore is not included in this costing.
- No affected recipients would change their earned income in response to the proposal.
 - The extent of this effect is highly uncertain and therefore has not been included in the estimated financial implications of this proposal.

Methodology

Administered expense and revenue estimates under the proposal were estimated using the Policy Evaluation Model (PoEM) as at the Budget 2022-23.

- PoEM is a microsimulation model of administered transfer payments developed by the Department of Social Services and provided to the PBO for use in costing policy proposals.
- The PBO extended PoEM over the medium-term period using updated parameters.

The number of affected people from 2025-26 was estimated based on population projections from the Treasury.

The ongoing departmental impact was calculated by multiplying the number of estimated additional recipients by the estimated annual cost of administering payments to each new recipient. Departmental implementation costs were not included in this costing given this costing interacts with ECR558.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Data sources

The Department of Social Services provided expenditure and population forecasts for income support recipients as at the *Budget 2022-23*.

The Department of Social Services provided the Policy Evaluation Model (PoEM) as at the *Budget 2022-23*.

Services Australia provided the annual unit payment administration costs as at the *Budget 2022-23*.

Department of Social Services, [DSS Demographics December 2021](#), 2021, accessed 10 April 2022.

Attachment A – Lower the Pension Age – financial implications

Table A1: Lower the Pension Age – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Personal income tax</i>	-	126.0	180.0	190.0	253.0	266.0	277.0	286.0	290.0	295.0	306.0	496.0	2,469.0
Total – revenue	-	126.0	180.0	190.0	253.0	266.0	277.0	286.0	290.0	295.0	306.0	496.0	2,469.0
Expenses													
<i>Administered</i>	-	-2,420.0	-3,470.0	-3,660.0	-4,860.0	-5,110.0	-5,320.0	-5,500.0	-5,570.0	-5,670.0	-5,880.0	-9,550.0	-47,460.0
<i>Departmental</i>	-	-11.0	-15.3	-15.7	-20.3	-20.8	-21.1	-21.2	-20.9	-20.6	-20.7	-42.0	-187.6
Total – expenses	-	-2,431.0	-3,485.3	-3,675.7	-4,880.3	-5,130.8	-5,341.1	-5,521.2	-5,590.9	-5,690.6	-5,900.7	-9,592.0	-47,647.6
Total (excluding PDI)	-	-2,305.0	-3,305.3	-3,485.7	-4,627.3	-4,864.8	-5,064.1	-5,235.2	-5,300.9	-5,395.6	-5,594.7	-9,096.0	-45,178.6

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Lower the Pension Age – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	-	-30.0	-90.0	-170.0	-270.0	-400.0	-550.0	-720.0	-910.0	-1,120.0	-1,350.0	-290.0	-5,610.0
Underlying cash balance	-	-20.0	-80.0	-160.0	-260.0	-380.0	-530.0	-700.0	-880.0	-1,090.0	-1,320.0	-260.0	-5,420.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)