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Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

National Seniors Australia submission to the *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015*

National Seniors is pleased to provide a submission to the *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015*. Given this submission's short timeframe, National Seniors would welcome the opportunity to appear before the Committee to elaborate further on all the Bill's measures.

National Seniors is Australia's largest organisation representing people aged 50 and over, with around 200,000 individual fee-paying members nationally. This broad-based support enables us to act as a truly independent and representative voice for older Australians.

National Seniors strongly believes that a comprehensive retirement income system review must be conducted *before any changes to the Age Pension are made*. The interrelationships between elements of the Age Pension, superannuation and taxation systems are critical and one area cannot be examined in isolation.

Assets test

National Seniors welcomes the government's withdrawal of the 2014-2015 federal budget measure to change the way the Age Pension is indexed.

We acknowledge that the 2015-2016 budget proposal to change the asset test thresholds and the taper rate, replaces this measure and others such as the pause to deeming thresholds and the freeze on asset and income test indexation.

Figures released by the Social Services Minister indicate that 300,915 age pensioners (11 per cent) will lose all or some of their Age Pension and associated state concessions in 18 months.

National Seniors believes these changes are rushed, poorly thought through and, subsequently, unfair for thousands of Australians who have planned and saved for their retirement over several decades.

The changes reduce benefits to households with relatively modest assets while leaving benefits to high-wealth Australians, such as super concessions, untouched. National Seniors cannot support reforms that tighten eligibility to the Age Pension while generous tax concessions to high net wealth individuals remain in place.

The changes will also result in unfair treatment of some partially self-funded retirees, and create perverse incentives for middle income households to spend rather than save for their own retirement.

National Seniors is not opposed to reform, however, the changes are ad hoc and clearly a short-term quest for budget savings rather than part of a well-considered and publically articulated reform process.

We urge the Committee to consider the significant impacts that the asset test change will have on household budgets and the inequities on retirees, some of whom will be forced to live on less than a full Age Pensioner.

By National Seniors' calculations, **a single person** with a small home, with an income of **$17,875** p.a. (3.25% current upper level DSS deeming rate) from $550,000 *in additional savings* **will no longer qualify for a part pension**. Yet a single person with a small home but *no additional savings* will receive the **full Age Pension** of around **$22,365** a year (2015 Age Pension amount) plus state and territory concessions on rates, utilities and registrations.

A couple earning **$26,813** a year (3.25%) from $825,000 in assets will no longer qualify for a part pension. Yet a **couple with no savings** on the **full Age Pension will receive** around **$33,717** a year (2015 age pension amount) plus state and territory concessions on rates, utilities and registrations.

The changes would also mean that a couple who own their own home and have other assets of only $200,000 would be entitled to the Age Pension, generating a higher annual income than a self-funded couple retiring with assets of between $820,000 and $1.1 million[1].

According to researchers from the Australian National University's Crawford School of Public Policy, a homeowner couple with $823,000 in savings would not have a higher living standard than a homeowner couple with $375,000 in savings. Under the proposed asset test change, it could, in fact, be lower.

National Seniors recommends:

Either:

- The parliament reject these changes to allow a comprehensive whole-of-system retirement income review that considers the interplay of all components of the Age Pension, taxation and superannuation systems, to occur first. Such a review should draw from the Tax Review, the Financial System Inquiry, the Competition Policy Review and the recent Welfare Reform work.

or,

- That the changes to the Age Pension taper rate and assets test, as announced in the 2015 federal budget, be grandfathered to 2023 and, at that date, apply only to new recipients.

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[1] ASFA.
And for those who also lose access to thousands of dollars of state funded concessions on utility bills, transport, vehicle registration, municipal rates and the like, the comparison becomes even more unfavourable.

Concession cards and Seniors Supplement

The Government has promised that those who lose their pension as a result of the asset test change will have access to the Commonwealth Seniors Health Card (CSHC). This concession card already currently goes to Australians of Age Pension age who do not receive a pension and fall within stipulated income limits.

The CSHC ensures self-funded retirees to the same level of pharmaceutical and medical as Pensioner Concession Card (PCC) holders.

However, CSHC-holders do not have comparable access to respective state and territory concessions including those on: public transport; utilities and water; local council rates; and vehicle registration.

The household budget will be further impacted if the Seniors Supplement, provided to CSHC holders, is abolished.

National Seniors believes that the Seniors Supplement should continue to be paid to those who would lose access to a part pension as a result of the asset test change.

Currently, part age pensioners have access to the Pension Supplement which is worth $1,661.40 per year for a single and $2,506.40 for a couple combined. The combined loss of pension, the respective Pension Supplement and eligibility to state and territory concessions will significantly impede household budgets and capacity to meet daily costs of living.

Should you wish to discuss these matters further I am available on mobile [redacted]. National Seniors looks forward to elaborating on these measures, and others within the Bill, in person before the Committee.

Yours faithfully

Michael O'Neill
Chief Executive