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MC13-000299

The Hon John Murphy MP
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06 FEB 2013

Dear Mr Murphy

Thank you for your letter of 29 November 2012 to the Minister for Human Services, Senator the Hon Kim Carr, on behalf of the Standing Committee on Petitions about portability of the Disability Support Pension (DSP) and Age Pension. Your letter was referred to me as this matter falls within my portfolio responsibilities. I apologise for the lengthy delay in responding.

The Australian Government recognises a person is able to choose a place to live for personal, family, medical or lifestyle reasons. In general, the Age Pension is payable overseas indefinitely and the DSP is payable overseas (except in limited and specific circumstances) for temporary absences up to six weeks.

In relation to the DSP, the portability period is designed to allow recipients who permanently reside in Australia sufficient time to deal with personal matters that may arise from time to time overseas. This is consistent with the purpose of the DSP, which is to assist people with the cost of living in Australia and is designed to engage people of workforce age in activities in Australia that will lead to increased levels of economic and social participation.

The Government also recognises that the DSP is an essential safety net for those who cannot work and that highly vulnerable people may need to travel to be with their family overseas for care and support. That is why the Government recently introduced indefinite portability for recipients with a severe and permanent disability and no future work capacity.

In addition to the indefinite portability measure above, there are other limited circumstances where a DSP recipient may be granted indefinite portability. These are where a disability support pensioner has been grandfathered from changes introduced in 2001 or 2004, or is entitled to portability because they are severely disabled and terminally ill and overseas to be cared for by a family member.

DSP recipients may also receive extended portability if their overseas travel is for the purpose of undertaking overseas study as a part of a full-time Australian course or they are accompanying a family member who has been posted overseas for work by their Australian employer.

The Age Pension can be paid overseas indefinitely. In line with the residence-based nature of Australia's social security system, however, a person's rate of Age Pension may change after an absence from Australia of more than 26 weeks. After 26 weeks, their rate of pension reflects their past links to Australia during their Australian Working Life Residence. Australian residents with 25 years' residence between the ages of 16 and Age Pension age are entitled to the full rate of Age Pension if they leave Australia permanently. Australian residents with less than 25 years' Australian Working Life Residence are paid a proportional rate. For example, a person with 17 years of Australian Working Life Residence will receive 17/25th of the full rate paid in Australia.

The Government has announced that from 1 January 2014, subject to the passage of legislation, the Australian Working Life Residence requirement will be increased from 25 to 35 years. From that date, age pensioners will need to have spent 35 years of their working life in Australia to be eligible to receive their full means-tested pension if they choose to retire or travel overseas for longer than 26 weeks. The change to 35 years brings Australia in line with most other OECD countries which require 35 to 45 years of contributions or working life residency to receive a full pension.

In addition, both the DSP (for recipients who meet the severely disabled criteria) and the Age Pension can be paid indefinitely overseas under International Agreements. Australia currently has 29 bilateral social security agreements in force with a number of agreements under negotiation. All of these Agreements include Age Pension and 19 include DSP.

The development of Australia's social security agreements has been largely reflective of historic migration patterns and, as a result, the majority of our current agreements are with European countries. However, the Government is always open to consider new areas for discussion, such as with countries that have provided many of Australia's more recent migrants.

It is a pre-requisite for commencing negotiations that the other country has a compatible social security system and that a social security agreement is likely to be mutually beneficial. The Minister for Foreign Affairs must also authorise the commencement of negotiations. Other relevant factors include people-to-people links, the level of business activity, broader bilateral relations and cost to the Budget.

Thank you for forwarding the Standing Committee on Petitions' suggestion about extending the amount of time DSP and Age Pension recipients can be paid while overseas. The Government welcomes input to the policy process and values the information provided. Such input forms an important component of policy design. The suggestion has been noted for future consideration.

Thank you again for writing on behalf of the Standing Committee on Petitions.

Yours sincerely

JENNY MACKLIN MP