



**The Hon Jenny Macklin MP**  
**Minister for Families, Housing, Community Services**  
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Mrs Julia Irwin MP  
Chair  
Standing Committee on Petitions  
Parliament House  
CANBERRA ACT 2600

Dear Mrs Irwin *Julia*

Thank you for your letter of 8 May 2009 enclosing a copy of a petition submitted by the Member for McPherson, Mrs Margaret May MP, which was presented to the House of Representatives on 19 March 2009. I apologise for the delay in responding.

The petition stated that pensioners were struggling to make ends meet and that the Australian Government had overlooked senior Australians in the 2008–09 Budget. It called on the Government to acknowledge the situation and address it immediately. The Government has responded to the growing concerns that people on fixed incomes, including age pensioners and other seniors, found it increasingly difficult to meet the cost of living, especially single pensioners.

On 15 May 2008, following the 2008–09 Budget, I announced a review to examine ways to provide seniors with genuine and sustainable longer term financial security. As part of the review, the Secretary of my Department, Dr Jeff Harmer, investigated the appropriate levels of income support and allowances, the frequency of payments, and the structure and payment of concessions or other entitlements as part of the Review. The Pension Review was one of the most comprehensive investigations into Australia's pension system, which is currently celebrating its centenary.

There was an extensive consultation process to inform the work of the Pension Review. Over 1,800 written submissions were received during the submission process, which closed on 26 September 2008. In addition, the Review was informed by a reference group of representatives from seniors, carers and disability groups, as well as academia.

The Review's findings led to a comprehensive restructure of the pension system and a raft of Budget measures aimed at improving the living standards of pensioners.

In the 2009–10 Budget, the Australian Government announced the new Secure and Sustainable Pension Reform package. The reforms, commencing on 20 September 2009, ensure that all 3.3 million age pensioners, disability pensioners, carers, wife pensioners and veteran income support recipients benefit from increases in their pension payments.

The pension reform package delivers a total increase of \$32.50 a week for singles on the full rate and of \$10.15 a week for couples combined. The increase is delivered:

- for singles: by an increase of \$30.00 a week in the base pension, and an increase of \$2.50 a week in a new Pension Supplement; and
- for couples: by an increase of \$10.15 a week in the new Pension Supplement.

Annually, this represents a total increase in permanent payments of \$1,690 for singles, and \$527.80 for couples combined. The increase is in addition to the extra \$2.91 a week for singles and \$4.81 a week combined for couples resulting from cost of living adjustments.

The increases mean that pensions now address the additional costs faced by singles, as well as providing additional assistance to couples. Across all pension payments, singles will receive two-thirds of the rate of couples.

The new Pension Supplement brings together the value of four existing allowances, and provides an increase on top of the value of these payments. From 20 September 2009, the existing payments incorporated into the Pension Supplement are the Utilities Allowance, the Telephone Allowance, the Pharmaceutical Allowance and the current GST Pension Supplement. On top of the total existing value of these payments, the new Pension Supplement provides pensioners with increases of \$10.15 a week for couples combined and \$2.50 a week for singles.

The pension reform package also includes:

- a \$600 annual carer supplement payable to all Carer Payment and Carer Allowance recipients;
- measures to better target pension payments, including tightening income test rules to target the largest pension increases to those with the lowest incomes;
- improved incentives for age pensioners to do part-time work by allowing them to keep more of their earnings from employment;
- reform to make the pension system sustainable in the face of the ageing of the population by increasing the Age Pension age from 65 in 2017 to 67 by 2023;
- a new Pensioner and Beneficiary Living Cost Index to ensure that future increases in the pension reflect the cost of living changes experienced by pensioner households; and
- an increase in the effective benchmarked rate of the pension from 25 per cent to 27.7 per cent of Male Total Average Weekly Earnings. This has now been guaranteed by legislation.

These reforms give pensioners more financial security and flexibility in how they receive their payments. The reforms simplify the complex maze of pensioner payments and make the system fairer and sustainable into the future.

The pension reform package builds on the Government's October 2008 Economic Stimulus Package, which provided pensioners, seniors, carers and people with disability with a one-off payment of \$1,400 to singles and \$2,100 to couples. This payment was in addition to the Government's earlier increases in the value of the Utilities Allowance and Telephone Allowance.

More information about the pension reform package and the Pension Review can be found on my Department's website at [www.fahcsia.gov.au](http://www.fahcsia.gov.au).

Thank you again for writing.

Yours sincerely

**JENNY MACKLIN MP**