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The Hon Jenny Macklin MP
Minister for Families, Community Services and Indigenous Affairs
Minister for Disability Reform

Parliament House
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MC13-004752

The Hon John Murphy MP
Chair
Standing Committee on Petitions
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600

29 MAY 2013

Dear Mr Murphy

Thank you for your letter of 18 March 2013 to the former Minister for Human Services, Senator the Hon Kim Carr, enclosing a copy of the petition that in part refers to the Age Pension settings. Your letter was referred to me as the Age Pension falls within my portfolio responsibilities. I apologise for the lengthy delay in responding.

The petition calls on the Australian Government to increase the pension rate from 27.7 per cent to 35 per cent of Male Total Average Weekly Earnings and introduce quarterly indexation of all pensions and welfare payments.

The Government appreciates the contribution older Australians have made to society and the economy. This is why the Government responded to growing concerns that age pensioners, particularly those on maximum rate pensions, might be finding it harder to make ends meet. A thorough review of the pension system was conducted in 2008, resulting in the historic pension reforms of September 2009 worth \$14 billion.

The review investigated the appropriate levels of income support and allowances, the frequency of payments, and the structure and payment of concessions or other entitlements. The pension review is one of the most comprehensive investigations into Australia's pension system in its 100-year history.

There was an extensive consultation process to inform the work of the pension review. Over 1,800 written submissions were received. In addition, the review was informed by a reference group of representatives from seniors, carers and disability groups, as well as academia.

As a result of the pension review, significant pension reforms were implemented in 2009 to increase the base rate of pension, improve indexation and wage benchmarking of payments, and strengthen the sustainability of the system into the future.

The 2009 pension reforms increased the pension benchmark from 25 per cent to 27.7 per cent of Male Total Average Weekly Earnings for single pensioners (or 41.76 per cent for pensioner couples combined).

The petition also calls for quarterly indexation of all pensions and welfare payments. The Government improved indexation arrangements as part of its pension reforms. A new Pensioner and Beneficiary Living Cost Index was introduced to ensure pension indexation better reflects changes to pensioners' costs of living. The pensioner living cost index takes into account the goods and services pensioners buy, not what the rest of the community buys. The pensioner living cost index basket of goods and services is weighted to recognise that pensioners spend more of their income on essentials, including food, health, clothing, telephone calls and post.

The base pension is increased twice a year, in March and September, using whichever of the two measures, the pensioner living cost index or the Consumer Price Index, produces the higher result. That result is then measured against a wages benchmark. If the benchmark gives a bigger pension increase than prices, the benchmark is used to adjust pensions.

Since September 2009, the reforms have delivered increases to the maximum pension of around \$207 a fortnight for single pensioners and around \$236 a fortnight for pensioner couples combined.

The Government is continuing to support pensioners with their cost of living. The latest pension increases on 20 March this year also included the new fortnightly Clean Energy Supplement, as part of the Government's Household Assistance Package.

The maximum pension rates are now \$808.40 a fortnight or \$21,018.40 a year for single pensioners. This is an increase of \$35.80 a fortnight, which includes the Clean Energy Supplement of \$13.50.

The maximum rate for pensioner couples combined is \$1,218.80 a fortnight or \$31,688.80 a year. This is a combined increase of \$54 a fortnight, which includes the Clean Energy Supplement of \$20.40.

Thank you again for referring the petition.

Yours sincerely

A handwritten signature in cursive script that reads "Jenny Macklin". The signature is written in black ink and is positioned above the printed name.

JENNY MACKLIN MP