Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

Social Services Portfolio

2014-15 Budget Estimates Hearings

Outcome Number: 1 **Question No: 522**

Topic: Indexing Pensions and Non-Pension Payments to CPI

Hansard Page: Written

Senator Brown asked:

In 2009, the Harmer Review found that: pension indexation for price change would be better undertaken through an index that more specifically reflected cost of living changes for pensioners and other income support recipient households.

a) Can you please explain the new pension indexation measure that was introduced in 2009, and why it was designed? What was the rationale for including a new Pensioner Living Cost Index and a Wages Benchmark?

b) At that time, did the Department accept that PBLICI and MTAWE provided a more appropriate pension indexation benchmark than CPI?

c) At that time, why was the CPI considered inadequate as a reflection of a typical pensioner household's cost of living?

d) Does the Department now disagree with the recommendation in the Harmer Review?

e) How is it that CPI was not considered to be an appropriate indexation arrangement in 2009, but the Department thinks it is now?

Answer:

a) Base pensions are indexed twice a year, in March and September, to the higher of the increase in the Consumer Price Index and the increase in the Pensioner and Beneficiary Living Cost Index. When wages grow more quickly than prices, the pension is increased to the wages benchmark. The wages benchmark sets the combined couple rate of pension at 41.76 per cent of Male Total Average Weekly Earnings.

a) This was a decision of the Government of the day.

b) and c) Consideration of these issues by the then Department of Families, Housing, Community Services and Indigenous Affairs was published in the *Pension Review Report*, in February 2009.

d) and e) The questions are asking for an expression of opinion.