

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**ADDITIONAL ESTIMATES 2014-15**

**Finance Portfolio**

**Department/Agency:** Department of Finance

**Outcome/Program:** 1/1.1

**Topic:** Pension modelling

**Senator:** Wong

**Question reference number:** F82

**Type of question:** Written

**Date set by the committee for the return of answer:** Friday, 10 April 2015

**Number of pages:** 1

**Question:**

1. As part of the 2014-15 Budget measure that proposed changing the indexation of the pension (and other payments), did the Department conduct any modelling / analysis of the impact of the proposed change?
2. If so, over what time period was this modelling / analysis conducted?
3. In each year over that period, what is the estimated value of the age pension under the proposed new indexation arrangement?
4. In each year over that period, what is estimated value of the age pension under the current indexation arrangements? What indexation level is assumed over the forward estimates and over the medium-term to the end of the decade?
5. In each year over that period, what is the estimated difference in the value of the age pension under the current indexation arrangements and the proposed indexation arrangement:
  - a) annually;
  - b) monthly; and
  - c) weekly?
6. If the Department hasn't done any modelling/analysis of the impact, why not?

**Answer:**

1. In accordance with standard practice, the Department of Social Services (DSS) developed costing models for changing the indexation of pension payments in the 2014-15 Budget which were agreed in consultation with Finance.
2. Finance's role is to agree costs over the Budget year and the three forward years.
3. The most recent published estimates of Age Pension expenditure were included in the Social Services Portfolio Additional Estimates Statements 2014-15 (Table 2.1.6 'Expenses for Income Support for Seniors' (page 47)).
4. The proposed change to indexation for the Age Pension is to commence on 1 September 2017. As CPI is currently forecast as the highest of the three possible indexation factors for the Age Pension there is no difference in 2017-18 between the estimates for current and proposed arrangements.
5. See item four above.
6. As noted in question one, it is standard practice for agencies to develop costing models and to agree them with Finance.