

Mr Elton Humphery  
Committee Secretary  
Community Affairs Legislation Committee  
Parliament House  
Canberra  
ACT 2600



Dear Mr Humphery

### **Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009**

Herewith, as requested, are the views of the Lone Fathers Association (Australia) Inc. on the above Bill, for which the Second Reading Speech was delivered in the House of Representatives on 15 June 2009.

As explained in the Minister's speech, the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009 "implements key elements of the Government's secure and sustainable pension reform package announced in the 2009 budget. (The) package addresses the adequacy of the pension, makes its operation simpler and more responsive to pensioner needs, and secures long-term sustainability".

The increase in the pension maximum married rate by \$540 per annum and the increase in the single pension rate to 66% of the married rate are both major improvements to the pensions system, and measures for which the Government deserves to be congratulated.

The grouping together of various pension-related concessions into a new "pension supplement", worth up \$2,200 per annum for a married couple, will make the administration of the pension simpler. Self-funded retirees will receive half of this amount.

A new "pensioner and beneficiary living cost index" will be calculated by the ABS and used to index pension rates where it exceeds both the Consumer Price Index and Total Average Weekly Earnings in any given period.

The LFAA understands the purpose of the Government in seeking to plan the funding of the national pensions bill into the medium and longer term. The LFAA therefore

appreciates the reason for the tightening of the income test on pensions, especially given proposed transitional arrangements. It can be argued, however, that unfairness will now be introduced into the pension system as a whole through failure to apply the pension increase to single parent pensions and income support payments such as Newstart, Austudy, and youth allowance -given that these allowances will now tend to fall behind pensions generally.

Criticism can also be made of the proposal that Family Tax Benefit will in future be indexed only in accordance with the CPI, given the great importance of FBT to poorer families.

There will also be problems in the less generous treatment of self-funded retirees - and particularly those retirees who that are currently receiving a high proportion of the full aged pension - given that the income means test is proposed to be made more stringent but no corresponding change is proposed to the assets test.

The proposed increase in the age pension age from 65 (for men) and 63 1/2 (for women) to 67, to allow for increased life expectancy in the future, is a controversial proposal. 2017-2023 is still a long way off. Nevertheless, the Australian community needs an assurance that the Government has arrived at these dates based on a proper analysis of the likely health effects of increasing retirement ages (particularly on manual workers) and the likelihood of jobs being available for 65 and 66-year-olds when they will need them, rather than purely on the basis that a given amount of public money will hopefully be saved on pensions. This analysis should be made available to the public.

As far as saving public money is concerned, attention should also be given by the Government to the possibility of keeping younger people in the workforce longer by measures which discourage them from take their superannuation entitlements and retiring at much younger ages than 67.

Yours sincerely



B C Williams  
President

J B Carter  
Policy Adviser

24 June 2009