

South Australian Government Superannuated Employees Association Inc.  
trading as:

**S.A. Superannuants** Established 1927

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## Introduction

S.A. Superannuants supports the Federal Government's proposals to increase the base rate of the age pension but we are very concerned about the intention to recover \$1.2 Billion of the cost of doing this entirely at the expense of current and future part age pensioners who have their age pension entitlement determined by the income test. This will be the effect of changing the income test taper rate from 40 to 50 cents in the dollar while all other means testing measures are left unchanged or relaxed.

- We see this proposal as both inequitable and punitive for our members who derive their income principally from defined benefit superannuation pensions. The average value of pensions paid to our members is about \$30,000 p.a.
- The proposed change is punitive because it will see couples and single people with quite modest defined benefit pensions having age pension entitlement reduced by up to thousands of dollars per annum.
- The change is inequitable because no other group of Australians is being targeted with anything like comparable financial impositions.

On the following pages we have compiled tables which show the exact effect that the change to the income test taper rate will have on part age pensioner couples and single people.

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Assumptions for Tables 1- 4

1. after 20/9/2009 the threshold values above which pension entitlement begins to reduce will be about 3% greater than those that apply now.
2. age pension does not commence until after 20/9/2009
3. the retirees have no income from employment.

**Table 1: age pension entitlements of couples under the income test with and without the reforms announced in the 2009 budget.**

Private Retirement Income (\$p.a.)	Age Pension after 20/9/2009 With No Reform (\$ p.a.)	Age Pension after 20/9/2009 With Reform (\$ p.a.)	Pension Difference Resulting from Reform (\$ p.a.)
5000	25863	26390	+527
<b>11718</b>	<b>23755</b>	<b>23755</b>	<b>0</b>
15000	22442	22114	-328
25000	18442	17114	-1328
35000	14442	12114	-2328
45000	10442	7114	-3328
55000	6442	2114	-4328
<b>59228</b>	<b>4751</b>	<b>0</b>	<b>-4751</b>
65000	2442	0	-2442

**Comment:** couples with private incomes above \$11,718 will be worse off after 20/9/2009 and the amount by which they will be worse off rises steadily to a maximum of \$4,751 p.a. at the new cutout point of \$59,228.

**Table 2: age pension entitlements of couples under the asset test with and without the reforms announced in the 2009 budget.**

Assets (\$)	Age Pension after 20/9/2009 With No Reform (\$ p.a.)	Age Pension after 20/9/2009 With Reform (\$ p.a.)	Pension Difference Resulting from Reform (\$ p.a.)
150000	25863	26390	+527
250000	25863	26390	+527
350000	22002	22529	+527
450000	18102	18629	+527
550000	14202	14729	+527
650000	10302	10829	+527
750000	6402	6929	+527
850000	2502	3029	+527
<b>927670</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Comment:** all asset tested couples will be better off by the same amount of \$527 even up to asset values of \$927,000. *So the lifting of the base rate will flow undiminished to every asset tested couple. More asset tested couples than now will be eligible for age pension.*

**Table 3: age pension entitlements of single people under the income test with and without the reforms announced in the 2009 budget.**

Private Retirement Income (\$p.a.)	Age Pension after 20/9/2009 With No Reform (\$ p.a.)	Age Pension after 20/9/2009 With Reform (\$ p.a.)	Pension Difference Resulting from Reform (\$ p.a.)
0	15818	17507	+1689
5000	15295	16853	+1558
10000	13295	14353	+1058
15000	11295	11853	+558
<b>20582</b>	<b>9062</b>	<b>9062</b>	<b>0</b>
25000	7295	6853	-442
30000	5295	4353	-942
35000	3295	1853	-1442
<b>38710</b>	<b>1811</b>	<b>0</b>	<b>-1811</b>
45000	0	0	0

**Comment:** single people with private incomes above \$20,582 will be worse off after 20/9/2009 and the amount by which they will be worse off rises steadily to a maximum of \$1,811 p.a. at the new cutout point of \$38,710.

**Table 4: age pension entitlements of single people under the asset test with and without the reforms announced in the 2009 budget.**

Assets (\$)	Age Pension after 20/9/2009 With No Reform (\$ p.a.)	Age Pension after 20/9/2009 With Reform (\$ p.a.)	Pension Difference Resulting from Reform (\$ p.a.)
150000	15818	17507	+1689
200000	14902	16591	+1689
250000	12952	14641	+1689
300000	11002	12691	+1689
350000	9052	10741	+1689
400000	7102	8791	+1689
450000	5152	6841	+1689
500000	3202	4891	+1689
550000	1251	2941	+1689
<b>625300</b>	<b>0</b>	<b>0</b>	<b>0</b>
650000	0	0	0

**Comment:** all asset tested single people will be better off by the same amount of \$1689 even up to asset values of \$625,000. *So the lifting of the base rate will flow undiminished to every asset tested single person. More asset tested single people than now will be eligible for age pension.*

