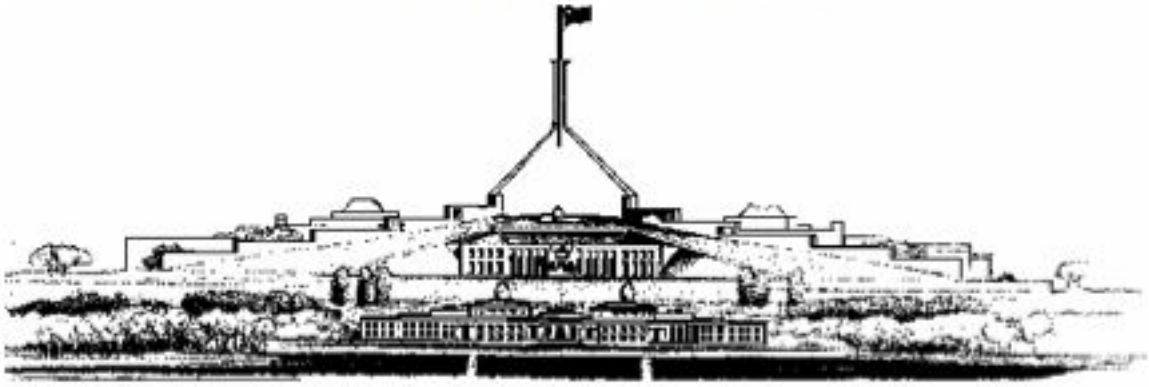
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015

Second Reading

SPEECH

Thursday, 4 June 2015

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 4 June 2015	**Source**	House
Page	5839	**Proof**	No
Questioner		**Responder**	
Speaker	Morrison, Scott, MP	**Question No.**	

Mr MORRISON (Cook—Minister for Social Services) (09:08): I move:

That this bill be now read a second time.

This bill will introduce several 2015 budget measures improving the fairness and sustainability of the pension system, and reintroduce some measures previously introduced in 2014 bills that are still before the Senate.

For improved fairness and equity, the first of the new budget measures will make sure a fairer proportion of a superannuant's actual defined benefit income is taken into account when the social security income test is applied. From 1 January 2016, this measure will introduce a 10 per cent cap on the defined benefit income that can be excluded from the social security income test.

A defined benefit income stream is a pension paid from a public sector or other corporate defined benefit superannuation fund, where the pension paid generally reflects years of service and the final salary of the beneficiary. Current arrangements allow some defined benefit superannuants to have a large proportion of their superannuation income excluded from the pension income test.

People receiving Veterans' Affairs pensions will not be affected by this change, and defined benefit income streams paid by military superannuation schemes will be excluded.

From 1 January 2017, the bill will reduce from 26 to six weeks the length of time the age pension, and a small number of other payments with unlimited portability, will generally be paid at the basic means-tested rate while the person is outside Australia.

After six weeks, payment will be made on a proportional basis according to the length of the pensioner's Australian working life residence—a concept representing the length of time the person has resided in Australia between age 16 and age pension age.

Pensioners overseas on the implementation date will stay under the current 26-week rule until they return to Australia. Subsequent trips will be under the new six-week rule. Those pensioners with 35 years or more of Australian working life residence and those already exempt from the proportional payment rules—such as some recipients of the disability support pension—will not be affected.

A further measure applying from 1 January 2017 will rebalance the assets test to make it fairer and better targeted and to help ensure the pension system is sustainable into the future. The changes will:

increase the assets test free areas to provide additional assistance to part rate pensioners with moderate asset holdings—(We estimate more than 170,000 Australians on a part-pension will get a higher pension as a result of these changes);

provide an additional increase in the free areas for non-homeowners to ensure fairer treatment for those who do not own a home and therefore do not benefit from the principal home exemption; and

better target the pension by increasing the assets test taper (or withdrawal) rate for assets above the new free areas from $1.50 to $3.00 per fortnight for each extra $1,000 in assessable assets—this will reduce support to pensioners with higher levels of assets who have greater capacity to support themselves. This last change will restore the taper rates that were in effect from 1994 to 2007.

The purpose of providing tax incentives to encourage people to build up their superannuation is so they can draw down on it in their retirement.

People with higher levels of retirement savings have the capacity to draw down on their assets, as intended, to support themselves in retirement rather than calling on the taxpayer for a pension for support. Those most affected by the changes would only have to draw down a maximum of 1.84 per cent of their assets to make up for the loss of their part-pension and maintain their current levels of income.

Importantly, pensioners who lose pension entitlement on 1 January 2017 as a result of the changes will be automatically issued with a Commonwealth Seniors Health Card, or a health care card for those under pension age, without the need to meet the usual income requirements. Additionally, veterans whose service pension is cancelled under this measure will retain their Veterans' Affairs Gold Card.

This bill also takes the opportunity to reintroduce some measures relevant to pensioners from the 2014 budget.

The first of these measures is to cease payment of the Seniors Supplement for holders of the Commonwealth Seniors Health Card or the Veterans' Affairs Gold Card. This measure is currently before the Senate in the Social Services and Other Legislation Amendment (Seniors Supplement Cessation) Bill 2014.

In reintroducing this measure, the implementation date will be moved to 20 June 2015 (meaning the last quarterly payment of Seniors Supplement would generally be made on 20 June 2015).

Lastly, the bill reintroduces two measures currently before the Senate in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014. These measures are to cease the Pensioner Education Supplement and the Education Entry Payment—with a new start date in each case of 1 January 2016.

The government believes in fairer access to a sustainable pension. This bill will result in an increase in pension payments for those with modest to low levels of assets, while requiring those with more substantial assets to draw on the assets that they have built up to ensure that they do not have to draw down on a pension in their retirement.

But what we will not do is: we will not increase the rate of tax on those who have saved for their retirement. We do not consider someone's own savings, and drawing down on their own savings, as a welfare payment. For those who need a welfare payment, that is what the pension is for, for those most in need. And to those who saved for their retirement: we thank them for doing that and ensuring that they can sustain themselves in their retirement and not be drawing down on the taxpayer. I commend the bill to the House.

Debate adjourned.