

Community Affairs Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
SOCIAL SERVICES PORTFOLIO
Inquiry

Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014,
Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014

Date: 21 August 2014

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Topic: Indexation changes

Senator Moore asked:

Has there been any modelling done on the impact of the indexation process across pensions?

What kind of figures has the department come up with in its modelling?

Answer:

Projected weekly pension rate after implementation - new arrangement compared with current:

	One year after implementation
Single – CPI only	\$432.20
Single – current settings	\$437.10
Couple (each) - CPI only	\$325.80
Couple (each) – current	\$329.50

The costing for the measure to index pensions by CPI only is based on current Treasury parameters which cover the forward years to 2017-18. Projected rates are based on these Treasury forecasts. Actual rates will depend on future movements in inflation and wages growth.

This modelling indicates that compared to current arrangements, indexation to CPI only would create a difference of less than \$5 per week in 2018-19 for the single pension rate. The change to pension indexation arrangements will not occur until September 2017 and the projected weekly payment rates are an annual average for 2018-19.

Projections for the years beyond the forward estimates period will depend on movements in all uprating parameters, which is difficult to predict. Treasury projections for these parameters beyond the forward estimates are not available. Any projections beyond the forward estimates would be highly speculative.

The Department is not aware of the basis of COTA's estimate of an \$80 a week difference quoted by Mr Ian Yates in his media release of 21 August 2014.