

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET 118-123

Topic: Pension Changes

Reference: written - 12 June 2015

Senator: Ketter, Chris

Question:

118. I refer to Budget measures changing the eligibility for the part and full pension based on a new asset test: why does the current long taper rate for the asset test determine eligibility for the part pension?

119. What work has Treasury done to model the effect changes to the asset thresholds and steeper taper rate will have on the behaviour of both current and future retirees?

120. What are the projected savings for this measure over the decade after its introduction (i.e. to 2027)?

121. How was this saving modelled?

122. Over this period (2017-2027), how many people will lose part or all of their pension, each year?

123. Does this saving take into account the likelihood that people will sell down their assets to maintain their pension?

Answer:

118. The Age Pension is means tested with an income and assets test. The income test reduces the pension payment by \$0.50 for every dollar of income over the income free threshold. The asset test currently reduces the pension payment by \$1.50 for every \$1,000 of assets over the asset free threshold. Both tests are applied and the one that results in the lower payment is the one that determines the pension amount received.

119. Treasury considers a range of issues including the behaviour of affected cohorts when providing advice to the Government.

120. This is a matter for the Department of Social Services.

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122. As the Minister for Social Services has noted in his press release of 7 May 2015, in January 2017 approximately 91,000 current part pensioners will no longer qualify for the pension and a further 235,000 will have their part pension reduced.

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