United Nations Questionnaire on social protection of older persons addressed to Governments by the Independent Expert on the question of human rights and extreme poverty

AUSTRALIA

Australia has a retirement income system based on three parts, or pillars:

1. a means tested, publicly funded Age Pension
2. compulsory superannuation (or private retirement provision) through the Superannuation Guarantee; and
3. voluntary superannuation, supported by tax concessions, and other private savings.

In most cases retirement incomes of senior Australians are a combination of two or three of the above components, with the Age Pension as the key component for many people.

The Australian Commonwealth Age Pension is a non-contributory scheme. It is governed by legislation and implemented by the Government. The Superannuation Guarantee is a contributory scheme. It is governed by legislation but it is not implemented by the Government, rather through the private sector.

The focus of the survey response is the Age Pension, which is the main pillar of Australia's retirement income system.

I THE AGE PENSION

(i) Legal and institutional framework

1. The Australian Age Pension is a non-contributory scheme. It is a fundamental part of Australia's social security system and acts as a safety net for seniors with few other resources and supplements the retirement incomes of those with lower levels of private savings.

   The Age Pension is targeted through the social security income and assets tests to those most in need.

   The Age Pension is available to all Australians who meet the residence, means and age criteria. Pension age for men is currently 65 years and for women 64 years (rising gradually to age 65 by 1 July 2013). The general qualifying age for the Age Pension will increase from 65 in 2017 to 67 by 2023. A person must reside in Australia at the time of the claim and have 10 years of continuous residence (5 continuous years if the total residence period exceeds 10 years).

   The Age Pension age is not an official retirement age. There is no official retirement age in Australia.

   The pension is payable overseas, indefinitely, if the pension begins before the person leaves the country. The pension may be reduced after 26 weeks in proportion with a person's working life residence in Australia (from age 16 to age 65). A full pension can be paid if a person has Australian working life residence of 25 years. A proportional pension can be paid for lesser periods.

2. The Age Pension is is governed by the *Social Security Act 1991*.

3. The Australian Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is responsible for the management and policy of the Age Pension program.

   Centrelink is the Government service delivery agency, which delivers the program Australia-wide.

<u>(ii) Program costs and coverage</u>

4. All Australians who meet the residence, means and age criteria are eligible to receive the Age Pension irrespective of their sex, ethnicity or origin.

   As at 20 September 2009, some 2.1 Australians were in receipt of the Age Pension. That included 1.2 female and some 900,000 male pensioners.

   Alongside of the Age Pension, there is also provision for older veterans. As at 20 September 2009, there were some 228,000 veterans over Age Pension age receiving similar income support.

5. The Age Pension is a national program.

6. Spending on the Age Pension was around $28 billion in the financial year 2008-09 (which represented about 8.6 per cent of total national government spending). In terms of Gross Domestic Product, spending on the Age Pension was about from 2.6 per cent of GDP in 2008-09.

7. The Age Pension is funded from general revenue, i.e. current tax payers. It is not related to previous earnings or workforce participation.

8. There are no potential beneficiaries not covered by the program. All Australians who meet the qualifying criteria are eligible to receive the Age Pension irrespective of their sex, ethnicity or origin.

9. Maximum Age Pension rates at 20 September 2009

Single rate	= $16,010.80 a year
Pension Supplement	= $1,458.60 a year
Total	**= $17,469.40 a year**
Partnered rate	= $12,069.20 a year (each)
Pension Supplement	= $1,099.80 a year (each)
Total	**= $13,169.00 a year** (each)

   Pension rates are adjusted twice yearly in March and September to maintain their value with:
   - prices, through the Consumer Price Index (CPI) or the Pensioner and Beneficiary Living Cost Index (PBLCI), whichever is the higher; and
   - wages, through comparison of the single rate of pension to 25 per cent Male Total Average Weekly Earnings (MTAWE); from March 2010 this increases to an effective 27.7 per cent of MTAWE for singles and $41.76 per cent of MTAWE for couples.

(iii) Implementation procedures

10. The Age Pension is paid fortnightly into pensioners' bank accounts by the Australian Government service delivery agency Centrelink.

11. Centrelink offers a broad range of services and resources to people from diverse linguistic and cultural backgrounds, including migrants and refugees. There is a range of publications with information about social security support available to all Australians, including the Age Pension. These publications are produced by Centrelink and FaHCSIA. Publications and factsheets are available in hard copy and on the internet in English and other languages.

12. For people who are struggling financially, the Government service delivery agency Centrelink has social workers who can assist in a number of ways. They can provide information about, or refer customers, to community support services.

    Advances on pension payments, including Age Pension payments, are available to pensioners to assist their capacity to budget and meet large or unforeseen costs. The advance is repaid gradually over 13 fortnights.

    Centrelink's Financial Information Service (FIS) is an education and information service available to everyone in the community. FIS officers help people to make informed decisions about investment and financial issues for their current and future financial needs. FIS is independent, free and confidential and provides services through seminars, and by phone and appointment. One of the objectives of FIS is to encourage and assist people to maintain or improve their standard of living by planning effectively for their retirement and maximising their overall retirement income.

    Commonwealth Financial Counselling services help people in financial difficulty to address their financial problems and make informed choices. Services may include direct casework (e.g. provision of advice and information); advocacy and/or negotiation; referral; community education; and networking/liaison. Financial counsellors assist people with complex financial issues including reviewing financial contracts, accessing hardship policies and preparing for debtors' court.

    The Government's Emergency Relief services provide support to address immediate needs in time of crisis. Assistance often includes food parcels and clothing, transport, chemist vouchers, help with accommodation, payment of bills, budgeting assistance and sometimes cash. Importantly, Emergency Relief agencies provide appropriate referrals to other services that help to address underlying causes of financial crisis.

    Centrelink customers who are having personal or family difficulties, including experiencing grief or loss, can gain access to counseling services via Centrelink's Social Worker Network.

13. All Australian residents, including age pensioners, have universal health care coverage through the publicly funded Medicare program. In addition, age pensioners are assisted by concessions for health and aged care services.

(iv) Monitoring mechanisms and complaints procedures

14. In addition to ongoing contact at officer level, Centrelink and FaHCSIA hold quarterly strategic business discussions to monitor the implementation of the Age Pension program.

15. Recipients of social security income support payments have the right of complaint and appeal through:
    - Centrelink Authorised Review Officers
    - FaHCSIA complaints mechanism
    - Social Security Appeals Tribunal
    - Administrative Appeals Tribunal
    - Federal Court
    - High Court.

16. While there have been individual cases of complaints about the application of social security law with regard to the Age Pension, no legal action has ever been taken against the Government agencies responsible for the Age Pension program.

(v) Existing studies and evaluations of old age pensioners

In response to growing evidence that the rising costs of living were putting pressure on people with low incomes, particularly those dependant on maximum rate of pension, in 2008 the Government conducted a comprehensive investigations into Australia's pension system.

The Pension Review investigated the appropriate levels of income support and allowances, the frequency of payments, and the structure and payment of concessions and other entitlements. The Review was completed in February 2009 and its findings informed the *Secure and Sustainable Pension Reforms* announced in the 2009-10 Budget in May 2009.

The *Secure and Sustainable Pension Reform* package was introduced on 20 September 2009 to improve the adequacy of the pension and its sustainability into the future.

- The maximum single base rate of pension was raised to two thirds of the partnered rate. New indexation arrangements were introduced to better reflect the cost of living increases experienced by pensioners. The maximum couple rate of pension benchmark to Male Average Weekly Earnings will increase to 41.76 per cent in March 2010.
- Income test rules have been changed to better target those with the lowest incomes. A beneficial new income test concession (Work Bonus) was introduced for age pensioners who wish to continue working while the Pension Bonus Scheme (deferred Age Pension) was closed to new entrants.
- The qualifying age for the Age Pension will gradually increase from 65 in 2017 to 67 by 2023.

The Australian Government's *Intergenerational Report 2010* provides a comprehensive analysis of the challenges that Australia will face over the next forty years. The key challenges are an ageing population, escalating pressures on the health system and an environment vulnerable to climate change. The report discusses the impact of the ageing population on the fiscal pressures the Government is facing, including spending on age-related pensions.

Relevant documents

Senate inquiry into the cost of living pressures on older Australians (including terms of reference, submissions Report and the Government response)
http://www.aph.gov.au/Senate/committee/clac_ctte/older_austs_living_costs/index.htm

Pension Review Background Paper
http://www.fahcsia.gov.au/sa/seniors/progserv/PensionReview/Documents/pension_review/default.htm

Pension Review Report
http://www.fahcsia.gov.au/about/publicationsarticles/corp/budgetpaes/budget09_10/pension/pages/pensionreviewreport.aspx

Intergenerational Report 2010-02-10
http://www.treasury.gov.au/contentitem.asp?NavId=&ContentID=1710

(vi) Other available social protection schemes that benefit older persons

In addition to the Age Pension, the following additional assistance is available to age pensioners:

- Pension Supplement is paid in addition to the pension to help with household and other costs.
- Subsidised prescription medicines under the Pharmaceutical Benefits Scheme
- Assistance for people who rent.
- Assistance for people in remote areas through an additional allowance.
- Subsidised aged care.
- Subsidised health care and related products.
- A payment to the State and Territory Governments to support the provision of concessions to pensioners. These concessions include subsidies for rates for home owners, utilities such as electricity and water, and public transport and motor registration fees.
- Tax concessions for people of Age Pension age, including the Pensioner Tax Offset and Senior Australian Tax Offset, which ensures that maximum rate pensioners do not pay income tax and Senior Australians Tax Offset, which reduces tax liabilities, so that many seniors pay no tax or Medicare levy.

More information about the wide range of services provided for older Australians by the Government can be found in the *Australian Government Directory of Services for Older People* at the following internet address:
Australian Government Directory of Services for Older People 2010 (PDF 595 KB) .

II THE SUPERANNUATION GUARANTEE

The Superannuation Guarantee is the second pillar of the retirement income system. It is a contributory scheme, which involves compulsory, concessionally-taxed savings for retirement through an employment based system. It is governed by legislation, but it is not implemented by the Government, rather through the private sector.

- Superannuation contributions are made by employers on behalf of their employees to any complying superannuation fund or retirement saving account
- The Superannuation Guarantee prescribes the level of employer support (currently 9 per cent of an employee's earnings)
- Superannuation coverage is high – 96 per cent of full-time employees and 77 per cent of part-time employees.

The superannuation preservation age (the earliest time when superannuation benefits can be accessed) is currently 55, phasing up to 60 between 2015 and 2055.

Superannuation funds are principally regulated under the *Superannuation Industry (Supervision) Act 1993* and the *Financial Services Reform Act 2002*. Compulsory employer contributions are regulated via the *Superannuation Guarantee (Administration) Act 1992.*

Four main bodies regulate superannuation funds to ensure they comply with the legislation:

- The Australian Prudential Regulation Authority (APRA)
- The Australian Securities and Investments Commission (ASIC)
- The Australian Taxation Office (ATO)
- The Superannuation Complaints Tribunal (SCT)

Unlike the returns on most other taxable savings, savings invested in superannuation are generally not taxed according to the individual investors' personal tax rates; they are taxed at 15 per cent. Benefits from a taxed superannuation fund are paid tax free from age 60. Superannuation contributions and earnings are generally concessionally taxed.

The value of superannuation tax concessions provided to contributions and earnings is estimated to be around $22.7 billion in 2009-10, increasing to over $31 billion in 2012-13.

III VOLUNTARY SUPERANNUATION AND OTHER PRIVATE SAVINGS

The third pillar encourages individuals to supplement the first two pillars and provide for themselves as much as possible, particularly through voluntary superannuation, and other private savings and investments.

Voluntary superannuation is assisted by tax concessions and managed commercially or self-managed. It is part of the same system as the compulsory system but allows for employers to make additional contributions for their employees over and above the 9 per cent Superannuation Guarantee, and for employees to make contributions on their own behalf.

Other popular forms of voluntary savings for retirement (other than superannuation) are:

- Home ownership and rental properties. Australia traditionally has a very high rate of home ownership, even among Western nations. About 83 per cent of older Australians own their own homes.
- Shares and managed funds.
- Life insurance policies.