

## MEDIA RELEASE

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### **Pension indexation safe - proposed new pension changes on a much better path - but full retirement incomes review still essential**

Confirmation today that the Federal government is dropping plans to change pension indexation will be of great relief to millions of Australian pensioners, says the peak body for older Australians, COTA Australia.

COTA Australia Chief Executive Ian Yates thanked the government for listening to the concerns of pensioners and working with stakeholders to design a much fairer starting point for pension change.

The Government's new proposals widen pension eligibility for retirees by raising the amount of assets people can have before their pension starts to be reduced, but tighten eligibility for people with higher assets by changing the taper rate from \$1.50 lost per \$1,000 of assets, back to the \$3 per \$1,000 that applied before September 2007.

"This is a better place to start looking at any pension changes - but the proposal still needs to be scrutinised as part of a broader retirement incomes review," Mr Yates said.

"As the Federal Treasurer and Social Services Minister have been saying publicly, whenever you pull one lever in the retirement incomes space you create consequences elsewhere, some known, some unintended - and its important these are properly explored and given full consideration.

"Reduced pension indexation would have been a huge hit to the hip pockets of all Australian pensioners over time and would have forced hundreds of thousands of pensioners into poverty. The proposal would have hit those who could afford it least - full pensioners and low income part pensioners.

"COTA's *Hands Off The Pension* campaign called on the government to reverse its plans to reduce indexation and was widely supported, with all pensioners concerned about their future.

"I am pleased that the Government has listened, negotiated, and is now proposing an alternative approach which comes from the more equitable basis of protecting those on lowest incomes with little or no assets.

"Under the new proposal we will see more people qualify for the full pension, and increased part pensions for many others. This will be good news for over 170,000 older people.

"At the same time those with higher assets will see their part pension reduce and some people (about 2% of all pensioners) who now receive a low part pension income will no longer qualify. Importantly those affected will retain eligibility for the Commonwealth Seniors Health Card.

"This approach certainly makes more sense than the original proposal to change indexation, but questions will legitimately be asked as to why even a small proportion of pensioners should be in the firing line while wealthy people who were never going to be eligible for the pension anyway continue to get generous superannuation tax concessions which they don't need and which save government nothing on pension expenditure.

"That's why it's critical to the long term viability of Australia's retirement income system to have an independent, comprehensive review which considers pension policy alongside superannuation, tax, mature age employment policy, aged care costs and other issues.

"The same applies to Labor's proposed superannuation changes - just plucking one measure off the shelf is not good enough. We need an integrated look at the whole retirement space."

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**COTA Australia is the peak policy development, advocacy and representation organisation for older Australians representing over 500,000 older Australians across every State and Territory.**