678/1091
683/1098

The Hon Jenny Macklin MP
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Parliament House
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MC12-008798

The Hon John Murphy MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

10 SEP 2012

Dear ~~Mr Murphy~~ John

Thank you for your letter of 25 June 2012 to the Minister for Human Services, Senator the Hon Kim Carr, about two petitions submitted for the consideration of the Standing Committee on Petitions regarding the assessment of income under the *Social Security Act 1991*. Your letter was referred to me as this matter falls within my portfolio responsibilities. I apologise for the lengthy delay in responding.

Social security policy is under ongoing review and the Australian Government welcomes input from the community. Such input forms an important part of policy design.

The first petition proposes that the income test assessment of account-based pensions should be based on application of the deeming provisions, rather than allowing annual income to be reduced by a deductible amount based on the purchase price and the customer's life expectancy at purchase.

The current approach is designed so that the income assessed from an account-based pension does not include any return of the person's own capital over its term.

The current treatment was introduced in 1998 and ensures that similar superannuation pension streams are treated equally and consistently.

The second petition proposes assessing superannuation assets where a customer is below Age Pension age but over 55 years of age and in receipt of an income support payment for more than 39 weeks. Superannuation assets are currently exempt from the social security means test until Age Pension age.

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PETITIONS COMMITTEE

Australia's retirement income system combines an affordable basis for generating retirement incomes with targeted support for those who most need assistance. It is based on three pillars:

- taxpayer-funded means-tested Age Pension which provides a safety net for people who are unable to support themselves fully in retirement and supplements the retirement incomes of those with lower levels or private savings;
- compulsory employer superannuation contributions through the Superannuation Guarantee, supported by generous taxation concessions; and
- voluntary private superannuation also supported by taxation concessions, and other private savings.

Superannuation assets are intended to be used in retirement to provide income, hence they are not assessed until they are cashed out, converted into an income stream, or the individual reaches Age Pension age.

Furthermore, abolishing this exemption could be a disincentive to return to work because customers would have a greater level of resources available by accessing their superannuation. Affected customers may have modest superannuation balances that would be reduced by the requirement to draw down on their superannuation assets before Age Pension age. This would result in a lower retirement income for those customers in the future.

Thank you again for writing.

Yours sincerely

JENNY MACKLIN MP