



Australian Government

Department of Social Services

MC16-002886

Mr Richard Griffiths
National President
Australian Council of Public Sector Retiree Organisations
PO Box 4166
KINGSTON ACT 2604

Dear Mr Griffiths

Thank you for your letter of 9 March 2016 to the Minister for Human Services, the Hon Alan Tudge MP and the Minister for Social Services, the Hon Christian Porter MP, regarding the 2015-16 Budget measure to cap the deductible amount for defined benefit income streams. I apologise for the delay in responding.

As you are no doubt aware, an election has been called. As a result, the Australian Government is in a caretaker role. This will continue until such time as the outcome of the election is known. The Minister has passed your letter on to the Department to respond to.

During the caretaker period, the Department needs to follow caretaker conventions which protect the apolitical nature of the public service and avoid the use of Commonwealth resources in a manner that might advantage a particular political party. As a result, my response provides only factual information that may be helpful. You may wish to raise any policy concerns which I have not addressed with the incoming government.

From 1 January 2016, the level of income from defined benefit income streams that can be excluded from the income test (the “deductible amount”) is capped at 10 per cent. The deductible amount is designed to reflect the return of personal after-tax contributions (the person’s own capital), if any, made by the employee to their defined benefit income stream.

Defined benefit income streams will continue to not be assessed under the social security assets test.

In your letter you asked a number of questions regarding the impact of the change. Publically available information that I can provide to you: as at 1 January 2016, 47,938 people had their rate of income support reduced. Of this group, 1,572 people had their income support payment cancelled. The change is expected to generate savings of \$465.5 million over the forward estimates for all affected agencies.

Due to privacy and data issues, it was not possible to provide data as specified in your request. For example, the type of defined benefit fund and the amount of pre-1 July 1983 employer contributions are not required for pension assessment and are not available in the administrative data. The Department is able to provide information that was compiled for a similar request regarding the impact of the pension reduction from the measure on people's total income.

Tables 1 and 2 at **Attachment A** show the impact on single income support recipients and couples who are in receipt of an income support payment in terms of total derived income from the change to cap the deductible amount for defined benefit income streams at 10 per cent from 1 January 2016. Tables 3 and 4 show the number of income support recipients' impact by the change to cap the deductible amount for defined benefit income streams at 10 per cent from 1 January 2016. Please note that:

- Total derived income is the sum of an individual or couple's total income support payments, income from defined benefit income stream, and other assessable income as assessed under the social security income test.
- For the ranges, the average reduction will depend on the individual's defined benefit income stream and the change in their deductible amount which will vary for each individual.

Thank you again for writing.

Yours sincerely



Andrew Whitecross
Branch Manager
Rates and Means Testing Policy

18 May 2016

Table 1: Single income support recipients impacted by cap deductible measure by average derived income as at 1 January 2016

Derived total income range a fortnight	Number of impacted single recipients	Average reduction a fortnight
Less than \$1,200	5,612	\$41.97
\$1,200 to < \$1,400	3,502	\$42.20
\$1,400 to < \$1,600	3,736	\$63.66
\$1,600 to < \$1,800	3,522	\$88.65
\$1,800 to < \$2,000	2,771	\$121.66
\$2,000 to < \$2,200	2,236	\$154.42
\$2,200 to < \$2,400	1,812	\$165.52
\$2,400 to < \$2,600	1,243	\$161.95
\$2,600 to < \$2,800	878	\$168.36
\$2,800 to < \$3,000	515	\$178.50
\$3,000 to < \$3,200	293	\$196.57
\$3,200 to < \$3,400	121	\$196.75
\$3,400 to < \$3,600	61	\$157.55
\$3,600 to < \$3,800	47	\$141.13
\$3,800 to < \$4,000	25	\$165.88
Greater than \$4,000	30	\$164.45
Total singles	26,404	\$93.30

Table 2: Couples who are in receipt of income support impacted by cap deductible measure by average derived income as at 1 January 2016

Derived total income range a fortnight	Number of impacted couples in recipient of an income support payment	Average reduction a fortnight
Less than \$1,800	1,205	\$49.51
\$1,800 to < \$2,000	1,146	\$67.96
\$2,000 to < \$2,200	1,445	\$94.11
\$2,200 to < \$2,400	1,421	\$114.74
\$2,400 to < \$2,600	1,434	\$145.49
\$2,600 to < \$2,800	1,396	\$195.25
\$2,800 to < \$3,000	1,046	\$257.05
\$3,000 to < \$3,200	719	\$320.31
\$3,200 to < \$3,400	408	\$390.32
\$3,400 to < \$3,600	205	\$426.02
\$3,600 to < \$3,800	98	\$380.34
\$3,800 to < \$4,000	76	\$292.33
Greater than \$4,000	168	\$270.56
Total couples	10,767	\$164.25

Table 3: Number of single income support recipients impacted by cap deductible measure by reduction in income support payment as at 1 January 2016

Average reduction a fortnight in income support payments	Number of impacted single recipients
Less than \$50	11,641
\$50 to < \$100	5,194
\$100 to < \$150	3,364
\$150 to < \$200	2,563
\$200 to < \$250	1,632
\$250 to < \$300	1,000
\$300 to < \$350	505
\$350 to < \$400	298
\$400 to < \$450	138
\$450 to < \$500	47
More than \$500	22
Total singles	26,404

Table 4: Number of couples who are in receipt of income support impacted by cap deductible measure by reduction in income support payment as at 1 January 2016

Average reduction a fortnight in income support payments	Number of impacted couples in recipient of an income support payment
Less than \$50	3,219
\$50 to < \$100	1,625
\$100 to < \$150	1,267
\$150 to < \$200	1,046
\$200 to < \$250	825
\$250 to < \$300	713
\$300 to < \$350	553
\$350 to < \$400	485
\$400 to < \$450	399
\$450 to < \$500	265
\$500 to < \$550	181
\$550 to < \$600	85
\$600 to < \$650	61
More than \$650	43
Total couples	10,767