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**Social Services Legislation Amendment
(Defined Benefit Income Streams) Bill 2015**

Second Reading

SPEECH

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Speaker Siewert, Sen Rachel

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Senator SIEWERT (Western Australia—Australian Greens Whip) (09:43): Before I begin to speak on the Social Services Legislation Amendment (Defined Benefit Income Streams) Bill 2015, I point out that some time was spent in the chamber on Monday having a go at the Greens for passing what we thought was a much more straightforward bill, although some people would argue that it is complex: the pensions asset test bill. We note that the pensions asset changes have been extensively discussed since April, before the budget came in, when the changes were mooted. But this part of what was a bigger bill, which is now a separate bill, has not had much discussion and is in fact quite complex. I am framing my comments in that context.

As we highlighted during the discussion on the pensions asset limit changes, the Greens are supportive of better targeting of government assistance to those who most need it. Those who have saved and can contribute to their retirement should be doing so. The treatment of the deductible amount of the defined benefits is clearly not well targeted. However, through this process it is unclear who is affected and how. I will go through that in a minute.

This measure has not had as much attention as the assets test, because a lot of focus was on the assets test and, as I said, this one is a lot more complicated and it is harder to work out who is affected. There has been little public discussion. However, people, as Senator Moore just pointed out, are now focusing on it more. There are a lot of emails. I note that we are getting a lot of emails from Tasmania. I think that perhaps that shows that the Tasmanians have their act together and have been looking at this issue.

Changes were made in 1998. The anomaly that was introduced in 2007 has led to defined benefits not being fully assessed by Centrelink, which considers pension eligibility. In other words, part of your income is not being assessed when determining pension eligibility. It does need to be corrected. It is unfair. As I understand it, it was not the defined purpose of the changes in 2007, so we do not disagree that this needs to be addressed. However, by the time the Senate committee reported in this place, we were not discussing this particular measure in that bill, so again we feel that people have not had as much opportunity to look at the detail of this, and that is because some of the information is not available. We all agree that this needs addressing, but we have concerns about how it is going to impact on people.

I note from Senate estimates that 65 per cent of those on a defined benefit income will not be affected, so we are not talking about all recipients of a defined benefit when we are talking about the impact. This is important, because we know that these schemes were offered to a wide range of public servants and that many of the 141,000 people who currently have one were in front-line services: we are talking about teachers, nurses, firefighters, social workers and police. On the other hand, we know that these schemes were also offered to department heads, to judges and even, as I understand it, to some politicians. So we are talking about a group of people who, it would be fair to say, have very good salaries, and we are talking about a group of people—teachers, nurses, firefighters—who were not on extremely high salaries.

Judging from the calls and questions that our offices and some of my colleagues' offices have received, the government has not shown the community how this measure will operate. As I said, it has not been as publicly debated as the assets test was. It is worth nothing that there are literally hundreds of schemes. When we looked at this in estimates, the Department of Social Services could not tell us how many schemes there are. Some of the schemes only have a handful of pensioners in them. Understanding all of the interactions here is impossible without an almost forensic analysis of each of those schemes.

With the pension assets test, the government was able to show how it had done its due diligence with microsimulation modelling. The department used real data and applied the tests to that data in a robust way so that we can say—and I am confident we can say—there are at least 171,000 pensioners who will be better off in the first instance under the new assets process. With this measure, it is fair to say we do not have quite the same confidence. I was there during the estimates process, but I have also gone back and pored over the detail of those estimates in *Hansard*. Unfortunately, during the estimates process, the Department of Social Services

could not tell us how many funds there are. As I have just said, there could be, as we understand it, literally hundreds. It also could not tell us whether those funds are still taking new entrants. We think most of them are not, but it is not clear. The department could not tell us how many people there are in each scheme—as I said, in some instances, there are only a handful—what the occupations of those receiving the benefits were and what the average household income for recipients in a defined benefit scheme is. These are the questions that the department could not answer. None of these questions, to my knowledge, have been subsequently addressed by the department's submissions or in response to further questions on notice through the normal estimates process.

While we do support and will continue to support measures that make the pension and income support system fairer, it is difficult to know what some of the full range of impacts will be. I am particularly concerned about those who were teachers, firefighters or police, who, it is fair to say, were not on high incomes. We know some of the average impacts, but nothing so detailed as a micro-simulation of the effects, using real data, appears to have been done. If the government does have these figures, they have not been released. The government certainly has released them for the pension assets tests.

Representatives from firefighters, teachers and police have contacted the Greens and told us that they are concerned about the impacts that this legislation would have on their members, and also to express concern that some things are unclear. It is unclear what the full effect of the changes will be and in fact what the range of impacts will be on some of the recipients.

I suspect a lot of people are unnecessarily worried. There is a large group of people who get only a small amount out of the scheme. Of those affected by the bill, it appears that those who have large exempt proportions were those who were able to contribute over and above the basic contributions their employers made, in the same way as the wealthy are now taking advantage of the super tax breaks. So, in other words, this is going to impact more on those who were contributing a large amount of money and are benefitting very substantially from the loophole that occurred. I repeat again that we do not think it is fair when some are getting a lot of money, and high benefits, from a loophole, where a large amount of income is not being assessed in the income and assets tests. I think any fair-minded Australian would think that that is not fair.

Clearly, people are having a hard time getting across this very complex system, particularly with so many schemes to review. The police federation has told us that they alone have 15 schemes that affect serving and retired police officers. Again, there is a high level of complexity. We know that employees took out a range of options and gave up other benefits or income in a range of ways as a condition of their employment, particularly before the current superannuation arrangements came into place.

I urge all organisations that have been commenting on this, and looking into it, to carefully monitor how their members are affected and to bring to the government's attention any unintended consequences. Having said that, I also acknowledge that social service stakeholders support better targeting of pensions—I have raised this issue repeatedly in this place. These include ACOSS, the Welfare Rights Network, Uniting Care and COTA. They have submitted to the inquiry that they support this change, but they stated they would like to see changes occur in the context of the retirement income review, which, of course, the government is now undertaking as part of their tax review. I have consulted with these groups, and it is clear to me that although they support measures that make the pension fairer they want to see all income treated according to the same rules. I have paid careful attention to what stakeholders are saying.

I also draw the Senate's attention to the change that will take place in six months time, whereas the other pension changes take place on 1 January in the following year. Although the Council on the Ageing does support these changes, they have concerns about the time frame. By comparison, the pension assets test gives people 18 months to adjust. The point made to me is that because this is a defined benefits scheme there is less ability for people to adjust than there is if you are adjusting to the new changes to the pension assets test. A number of people have written to us to highlight that there is not the same option to rearrange your affairs under this scheme. I will certainly be monitoring this process carefully.

People have also raised concerns with us that, while it was clear in the pension assets test changes that there were individuals who were going to be affected, they would in fact get the Commonwealth Seniors Health Card. It is unclear to people whether in fact that is going to be the same process for those who are affected by these changes to the defined benefits scheme, and I urge the government to clearly look at the people who are affected and at how they are getting support. I also note that there is some interaction here with working-age payments

and pensions, particularly the disability pension, that people have raised concerns with us about. They feel that the government has not properly addressed those concerns. From submissions to the committee, and also from emails we are getting, we know that there are 247 police on disability pensions who, it appears, will be affected.

It is not clear how to identify how defined benefit schemes have been used to provide care and support to those who are forced into early retirement due to a severe workplace injury. Those who have worked on the NDIS and have participated in the discussion about no-fault injury insurance schemes will know that this is another area of reform that is very difficult and is currently underway.

I will be watching to ensure that this bill does not have unintended consequences for those with a disability. It is clearly a small group—we think less than 0.1 per cent of all pensioners—but that does not mean that those people are not important. It means that we need to very carefully, again, look at not just the broader group but specific groups within those who are being adversely affected.

We have given this issue very careful consideration—the same as we gave the pension assets test changes very careful consideration. We understand that there may be a group of people who are affected—in fact, who have unintended consequences—and that is our area of concern, particularly for those people on modest incomes as public servants, such as teachers and firefighters, who may be adversely affected. They went into these schemes thinking that that was the right thing to do. They got caught up in the loophole and, again, we acknowledge the loophole. It is unfair that there are those with a high level of assets who are getting a very healthy income stream out of this process who are not being counted. We acknowledge that we need to address that issue, which is why we will be supporting this bill. As you can see from what I have just described in my second reading contribution there are complexities here, but we agree that we need to make this process fairer.

We will be supporting it, but we urge the government to monitor the impact of this, particularly the unintended consequences, because they have not been able to model them the same as they could model—as I said, through the microsimulation process—the impact of the pensioner assets test. They have not been able to do this here because it is complex, because of the multiple schemes. I understand that. We do not know how it is specifically affecting different former income earners. Again, I do not know whether the government is finding it too hard to model, or they just have not done it.

We urge them to monitor this. We certainly will be, and if there are unintended consequences for those people, particularly those with low and modest assets, we urge the government to then bring it back if they need to make amendments. If they do not, we will be. We will be monitoring this carefully, because overall we do think it is in the best interests of making the whole system fairer and consistent and applying rules that have equal impact. However, there may be a group of people who are affected through this process. Please monitor it.

We certainly will be, and we will bring back changes if this is causing hardship for those people who were teachers, firefighters and police. We note that military personnel have been exempted from this process. We need to look at those other public servants whom no-one could say were on very high incomes and who have contributed through their service, thinking they were doing the right thing. We will be monitoring that very carefully and proposing amendments if the government does not act to address those unintended and unforeseen consequences.