



Policy developments on pensions and retirement incomes

Background

1. The Office for Women has asked the WomenSpeak Alliance and the National Foundation for Australian Women to prepare analyses and responses to the Review of Australia's Future Tax System on matters affecting the wellbeing of women.
2. A Reference Group for the task representing the four women's groups' alliances has been established to assist the flow of information through women's groups, and to so encourage and facilitate women's inputs to the Review of Australia's Future Tax System.
3. The NFAW will also develop supporting strategies through its web-site, www.nfaw.org which will
 - a. Provide access to a range of resource material of relevance, and
 - b. Attempt to reach out to women not affiliated with the formal organisation and alliance structure.
4. This paper is the first of a series of background documents which will be provided to women's organisations through the Reference Group. Its purpose is to address issues relevant to retirement incomes.

Pensions and retirement incomes

5. Two inter-linked inquiries are taking place; the Review through the Treasury of Australia's Future Tax System, and a specific review of Commonwealth pensions.
6. The Minister for Families, Housing, Community Services and Indigenous Affairs asked the Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), Dr Jeff Harmer, to complete an investigation into measures that might be adopted to strengthen the financial security of seniors, carers and people with disability, and to report by 28 February 2009 on:
 - a. The appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment;
 - b. The frequency of payments, including the efficacy of lump sum versus ongoing support; and
 - c. The structure and payment of concessions or other entitlements that would improve the financial circumstances and security of carers and older Australians.
7. The Relevant Background Paper may be found on the FACHSIA site¹, and on www.nfaw.org.
8. Around 59 per cent of Commonwealth income support recipients are women, with higher proportions of women among the pension population².
9. The Pension Review will inform the inquiry into Australia's Future Tax System through Dr Harmer's membership of the tax review panel.

¹ http://www.fahcsia.gov.au/internet/facsinternet.nsf/seniors/pension_review.htm

² *ibid*

10. The Taxation Inquiry has the broader role of reporting on 'improvements to the tax and transfer system for individuals and working families, including those for retirees'.
11. On 10 December 2008 the Treasury released discussion papers on retirement incomes and on Australia's Future Tax System³:
12. *"An individual's retirement income depends on their savings, largely from their earned income. Therefore, periods outside the workforce not only decrease an individual's standard of living before retirement but also in retirement. Women are more likely to have career interruptions because of caring responsibilities, and are therefore not able to benefit from superannuation policies in these periods.*
13. *"For many individuals with broken work patterns, or no work history, changes to superannuation policy may have minimal effect on their retirement income.*
14. *"Policies which support an efficient, robust economy and remove disincentives to work may have a greater effect on these individuals' retirement income than superannuation policies. For example, policies which support child care may encourage more women to return to the workforce. This may have a greater influence on their retirement income than increasing superannuation concessions.*
15. *"The Age Pension is likely to provide the majority of retirement income for individuals with broken work patterns. Therefore, consideration of the adequacy of the Age Pension is likely to have the most immediate impact on their retirement income. The Pension Review is considering this issue."⁴*

Timetable

16. Public response to the Treasury paper on retirement incomes is required by 27 February 2009, so that the Government may consider both the Harmer Report and the Treasury Report together and take appropriate measures in the Federal Budget 2009-10 to meet its undertakings to improve the situation of Australia's pensions (including both age and disability pensioners and carers).
17. Responses to the tax system paper are due on 1 May 2009.
18. The Treasury will arrange consultations on the taxation paper.

Next steps

19. The NFAW has commissioned Professor Patricia Apps⁵ to provide a technical response on both Treasury papers.
20. We will also provide further updates through the Reference Group, and on www.nfaw.org.
21. Professor Apps' paper on the Treasury Retirement incomes paper will be made available to women's organisations in February 2009.
22. It is proposed that Professor Apps' paper on taxation will focus on gender equity principles in the design of a new tax system; personal tax and transfers in relation to women; and any other features of the tax and transfer system as identified as by Womenspeak and the NFAW as critical to women.

³ http://taxreview.treasury.gov.au/Content/Content.aspx?doc=html/pubs_reports.htm

⁴ *ibid*

⁵ <http://www.law.usyd.edu.au/about/staff/PatriciaApps/>

23. Associate Professor Marian Baird⁶ will work with NFAW and Professor Apps to produce a 'Plain English' version of Professor Apps' paper on tax.

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1 January 2009.

⁶ <http://www.econ.usyd.edu.au/content.php?pageid=928>