

Pension changes - without review of super - fail the fairness test

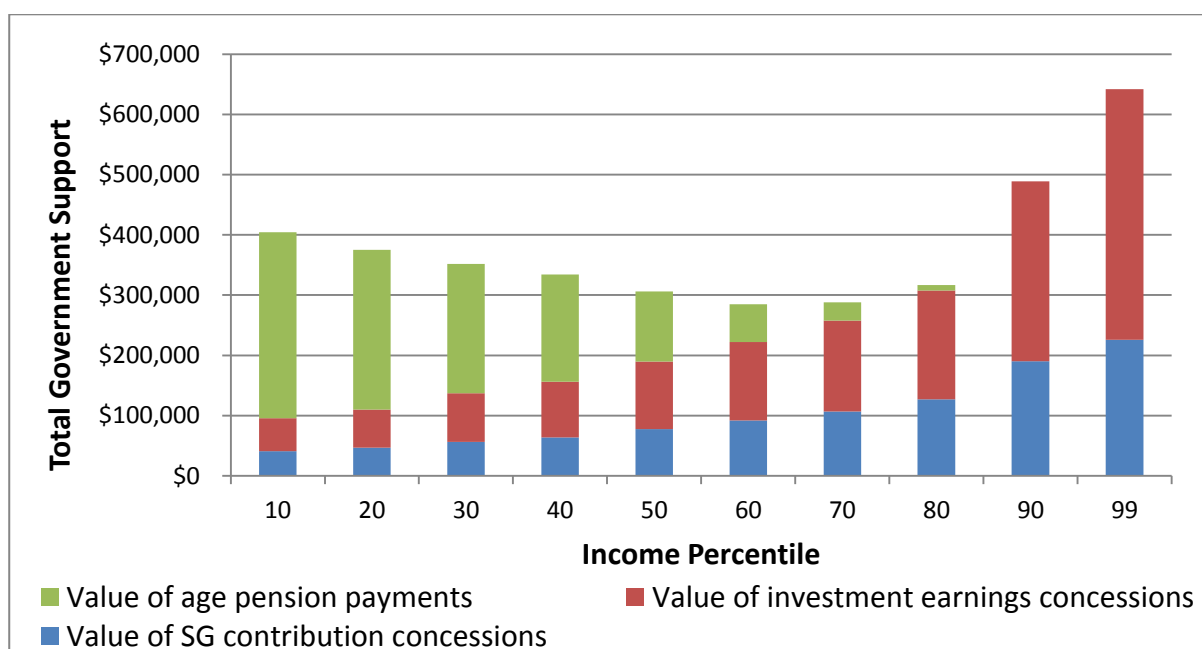
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Proposed pension changes – currently before Parliament – would result in wealthy self-funded retirees receiving **more than double** the level of government support than most middle income Australians, **The Australian Institute of Superannuation Trustees (AIST)** said today.

AIST CEO Tom Garcia said **AIST-Mercer research** had revealed that the top 10% of wage earners currently receive government support to the value of more than \$489,000 over a working lifetime. By contrast, the level of government support provided to middle income earners (30 to 70 income percentile) would fall to between \$214,000 and \$257,000 under the proposed changes to the Pension Asset Test .

The AIST-Mercer Super Tracker assigns Australia’s retirement income system a ‘fairness’ score based on the cost of government support of Super Guarantee tax concessions and the Age Pension. A perfect score of 10 out of 10 would represent a level playing field of government support across all income percentiles. Prior to the Budget, the Tracker’s fairness score was a worrying 3.3 out of 10. Budget changes to the asset test would reduce this score to just 0.3 out of 10, effectively blowing fairness off the table.

Fairness Equity measure of total government support Source: AIST-Mercer Super Tracker



Mr Garcia said the widening of the inequity gap in Australia’s retirement income system raised serious concerns in terms of both intra and inter-generational equity.

“It’s well-recognised by bodies such as the OECD that fairness – both within and across generations – is a vital component of a sustainable retirement income system,” Mr Garcia said.

Mr Garcia said any changes to the Age Pension must have evidence to support them and should not be done in isolation to superannuation, adding that it was now more important than ever for the Government to consider superannuation tax changes as part of the tax and retirement income review.

“Super and the Age Pension are intrinsically linked. How can there be a meaningful review of retirement incomes if super is ignored and changes to the Age Pension have already been decided?” Mr Garcia said.

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AIST is the peak industry body for the \$650 billion not-for-profit super sector which includes industry, corporate and public sector funds.