

Transitional Rate of Pension



In the 2009 Federal Budget, the government announced a number of changes to the pension system as part of the Secure and Sustainable Pension reforms. The transitional rate of pension is a special rate of pension for people who do not benefit immediately from the changes.

What are the changes?

From 20 September 2009:

- The maximum rate of pension for singles will increase by \$65.00 a fortnight. This includes an increase of \$60.00 a fortnight in the base pension and \$5.00 a fortnight in the new Pension Supplement. For all couples, the pension will increase by \$20.30 a fortnight combined. Part-rate single pensioners will receive a partial increase with a minimum increase of \$20.20 a fortnight. These increases are on top of the usual pension indexation that occurs in September. They are also in addition to other allowances and supplements described below.
- The Pension Supplement combines a range of add-on allowances and supplements. This includes the GST Supplement, Utilities Allowance, Telephone Allowance and Pharmaceutical Allowance.
- Under the new Work Bonus, half of the first \$500 of fortnightly employment income will be disregarded from the income test for pensioners over age pension age.
- There will be an increase in the income test taper rate from 40 cents to 50 cents. Pension payments will reduce by 50 cents in the dollar for singles and 25 cents in the dollar each for couples for each extra dollar of income over the income test free area. The higher income test free area for pensioners with dependent children has been abolished.

Which payments are affected?

The following income support payments are eligible for transitional rates:

- Age Pension
- Disability Support Pension (excluding those under 21 years without dependent children)
- Carer Payment
- Bereavement Allowance
- Widow B Pension
- Wife Pension
- Department of Veterans' Affairs Service Pension.

Transitional rate

Existing pensioners at 19 September 2009 will not receive a payment reduction because of these changes. Existing pensioners will be assessed under both the old rules and the new rules. Some pensioners will be paid a transitional rate until the new rules provide an equal or better outcome for them. The transitional rate includes the following provisions:

- The transitional rate of pension will include a payment increase of \$20.20 for singles and \$20.30 a fortnight for couples combined.
- Pension payments will reduce by 40 cents in the dollar for singles and 20 cents each in the dollar for couples for each extra dollar of income over the income test free area. The higher income test free area for pensioners with dependent children will remain.
- The rate of pension is assessed under both the old rules and the new rules to see which produce the best payment rate for the pensioner. The transitional rate is paid until the pensioner would be equal or better off under the new rules. Once the pension is paid under new rules, the transitional rate is no longer



applied and cannot be reversed. There are exceptions to this rule for members of a couple returning home after a period in approved respite care.

- The transitional rate of pension will include the value of Utilities Allowance, Telephone Allowance, Pharmaceutical Allowance and the GST Supplement paid fortnightly as part of the basic rate of pension.

Example

Annette is receiving an Age Pension on 19 September 2009 and has other income over the income test free area. To calculate Annette’s rate of Age Pension, a comparison is done between the transitional pension rate and the new pension rate from 20 September 2009 (including the Work Bonus). The comparison reveals that the Age Pension would be higher under the transitional rate therefore Annette receives this rate of Age Pension.

On 25 November 2009, Annette’s circumstances change and her other income is now below the income test free area. As Annette has been receiving the transitional rate of Age Pension, a comparison is done between the transitional rate of pension and the new pension rate. The comparison reveals that the transitional rate would now be the lower rate of pension.

From 25 November 2009, Annette’s Age Pension will be paid at the new pension rate and her rate of Age Pension will no longer be compared to the transitional rate.

Rates for pensioners outside Australia

If a pensioner receiving the transitional rate departs Australia permanently, they will receive a rate equivalent to the basic pension rate plus the former GST Supplement. This will be payable from the date of departure. Any add-on payments received, such as Rent Assistance, will be cancelled from the date of departure.

If a pensioner receiving the transitional rate departs Australia temporarily, they will receive the maximum transitional rate payable for up to 13 weeks from date of departure.

How to contact us

Information about the changes to the pension system is available from www.centrelink.gov.au. If you want to talk to someone about how these changes may affect you, call the Centrelink retirement line on **13 2300**.

You can also ask to talk, free of charge, to a Financial Information Service officer about options with your savings, investments and related arrangements by calling the same number.

For more information

Go to our website at www.centrelink.gov.au

Retirement	13 2300
Disability and Carers	13 2717
Ask at a Centrelink Customer Service Centre	
Financial Information Service	13 2300
Financial Information Service seminar bookings	13 6357
Centrelink International Services	13 1673
Looking for work	13 2850
Parent or guardian	13 6150
To speak to Centrelink in languages other than English	13 1202
Australian Government Services Fraud and Tip-off line	13 1524
Customer Relations	Freecall™ 1800 050 004
TTY* enquiries	Freecall™ 1800 810 586

*TTY is only for people who are deaf or have a hearing or speech impairment. A TTY phone is required to use this service.

Disclaimer

The information contained in this publication is intended only as a guide. The information is accurate as at September 2009. If you use this publication after that date, please check with Centrelink that the details are current.