Anticipating

Service Delivery Needs

of

Australian Age Pensioners

Using Predictive Data

Paul Cowan
General Manager
Seniors, Families and Carers Division
Centrelink Australia
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paul.cowan@centrelink.gov.au

Background - Centrelink

In Australia, the age pension is a Federal Government responsibility and Centrelink is the Australian federal government agency empowered to administer social security entitlements including age pension.

Created in 1997 out of the former Department of Social Security, Centrelink is a statutory authority tasked with delivering payments and services for Commonwealth Government Departments, but having no responsibility for pension legislation and policy.

Centrelink currently administers means tested payments to 6.6 million recipients, with just over 2 million receiving the age pension. Age pensions account for 36% of all social security outlays, the rest being predominantly support for families and child care (27%) and support for low income earners in the working age bracket (18%) [1].

Our particular expertise is in administering a taxpayer-funded, means tested pension in the context of large scale service provision. The deployment of a complex, need-reactive and wide-scoped means tested pension over a sparse population, with high public expectations for accountability and transparency has implications for data collection and management.

A key point of difference in the Centrelink experience is that we cannot rely on a body of contribution records for the purposes of determining entitlements, nor for planning future outlays or service delivery.

For planning purposes, Centrelink must look to demographic data, existing customer research, analysis of current customer behaviour and trends and extrapolate this to our likely future body of customers. National Census data from the Australian Bureau of Statistics, especially commissioned surveys and trend analysis from internal data all play an important role in shaping future service delivery offers.

The Australian age pension differs radically from the more usual European, North American or Asian schemes that are based on principles of social insurance. Rather, it is a universal income support payment that supplements other sources of income.

Australian age pensions

The entire system is composed of three pillars of retirement income support:

1. **Age pension** for which the main qualification criteria are age and residence. Once entitlement is established, the rate of payment is determined by an income and assets test. It is funded from general revenue, ie by the taxpayers.
2. A mandatory contribution scheme for retirement known as the **Superannuation Guarantee**. This is a defined contribution scheme which has not yet reached full maturity and it is not administered by Centrelink. More details are attached.
3. **Private savings** through private pensions, investment, savings and property.

So, what information does Centrelink use for planning and where is taking us?

A brief history of retirement pensions in Australia

The means tested Australian Age pension started in 1909 and while it has shed some of its more original features (eg the requirement to be of good moral character) it still adheres to the general principal that the age pension is an income support measure for older Australians who have insufficient means to otherwise sustain an acceptable lifestyle. There is general acceptance of the notion of the means test in the Australian population, even though over 25% of the population was born overseas, many coming from countries with insurance-based social security schemes.

Australia has opted for a targeted means tested pension rather than any of the Bismarckian or Beveridge contributory models. In Australia, the maximum rate of pension is designed to ensure that basic needs are covered while still encouraging a level of self-provision through a tapered means test. To that core means tested pension Australia has added (1992) a compulsory contributory scheme, the Superannuation Guarantee.

Australia now has a combination of contributory and needs-based disbursements. The Australian system is singular in the centrality and detail of the pensions means test and associated risk management for the avoidance of fraud and error. The mix of payments is still developing both in Australia and other countries and one would expect that finally, the differences at the macro level between the Australian and insurance-centred schemes may not be all that significant.

Increasingly, the typical retired person has several sources of income:

Retired Persons – selected *main* sources of income 2004-2005				
Source	**Males (‘000)**	**Males (%)**	**Females (‘000)**	**Females (%)**
Government pension or allowance	855.8	65.2	1,140	67.5
Superannuation or annuity	234	17.8	102.6	6.1
No income – living off savings or assets	40.2	3.1	114.6	6.8
Investments	83.8	6.4	168.7	10.0
Real estate	29.4	2.2	47.7	2.8

Source: Australian Institute of Health and Welfare 2007

The Superannuation Guarantee

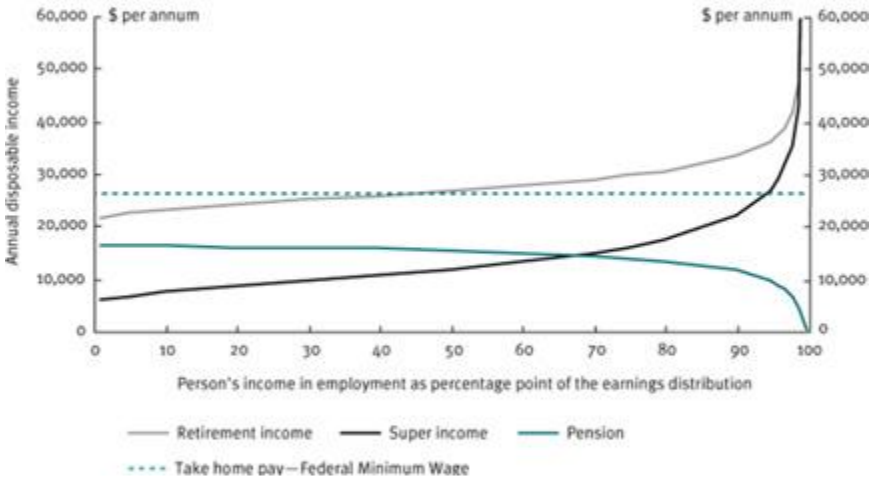
The Superannuation Guarantee was introduced in 1992. Superannuation is the generic name in Australia for a variety of contributory pension schemes. The earlier products, especially in the public sector, were often of the defined benefit variety, while more recent species are almost entirely managed funds. Between those extremes, there are many hybrids in Australia.

The Superannuation Guarantee was a Government initiative to ensure that almost all employees would have superannuation, thereby addressing concerns evident even then about the ageing of the population and the likely impact on government outlays.

The still immature Superannuation Guarantee now holds more than a trillion dollars Australian in around 300,000 different funds including small, self-managed funds with only one member. Superannuation is regarded as a very effective savings vehicle because of the taxation advantages it offers.

The majority of retiring Australians are still eligible for at least a part age pension from the means tested system and this situation is likely to persist for several more decades at least.

Retirement incomes—contribution of the Superannuation Guarantee and Age Pension (modelled results under full superannuation guarantee):



Notes: Model parameters at Appendix E. Average annual retirement income is given in earnings discounted terms, that is, relative to the income of employed people.

Source: Federal Budget 2009-20010 Pension Review Report, FaHCSIA.

It is the general expectation of Australian policymakers that there will always be a need for the basic age pension because there will always be cohorts of Australians with no or inadequate coverage from the Superannuation Guarantee, even when the scheme is fully mature.

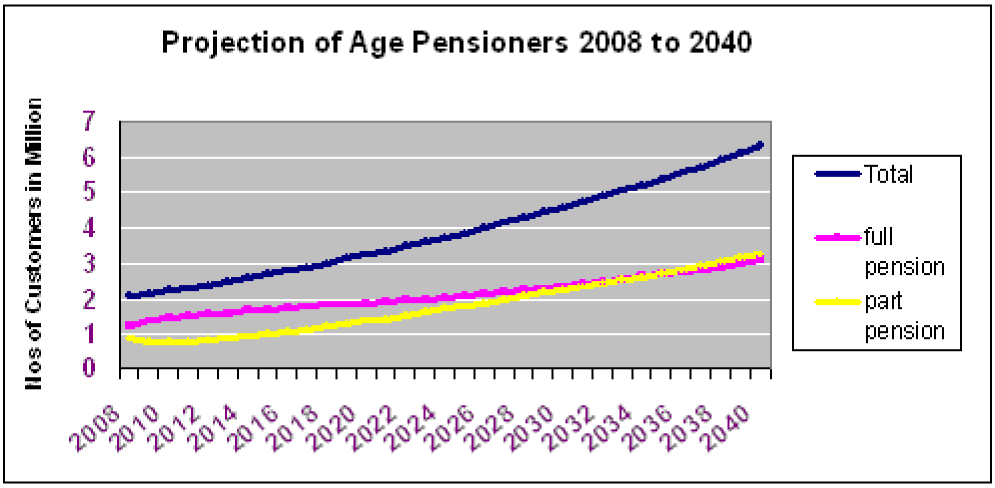
The Pensions Means Test

The pensions means test, which is a combined income and assets test, is designed to allow and even encourage a level of private provision. There are levels of income and assets under which there is no effect on pension, and once those thresholds are exceeded, the pension is withdrawn only gradually.

As at 20 September 2009, a single pensioner could have income of up to AUD38,630.80 per annum before losing all pension entitlement. A pensioner couple could have income of AUD59,124 pa before the pension cuts out. The cut out levels for assets (apart from the family home) are AUD755,000 for singles and AUD1,057,000 for non-homeowners, with lower figures applying to homeowners. The import for administration is that Centrelink is dealing with a very wide spectrum of customers where it concerns degrees of wealth and requirements for support.

Australian Treasury modelling suggests that by 2050:

- 45.3 per cent of the population aged over 65 years will receive a part pension
- 28.3 per cent of the population aged over 65 years will receive a full pension
- 26.4 per cent of the population aged over 65 years will not receive any pension income at that point in time (although some may at a later point in their retirement).



Source: Department of the Treasury July 2007

Environmental Policy issues

The pensions means test has evolved and continues to evolve in a modern, democratic, relatively affluent, full spectrum economy, which has had considerable influence on its present scope and complexity, which in turn has had major consequences for administration.

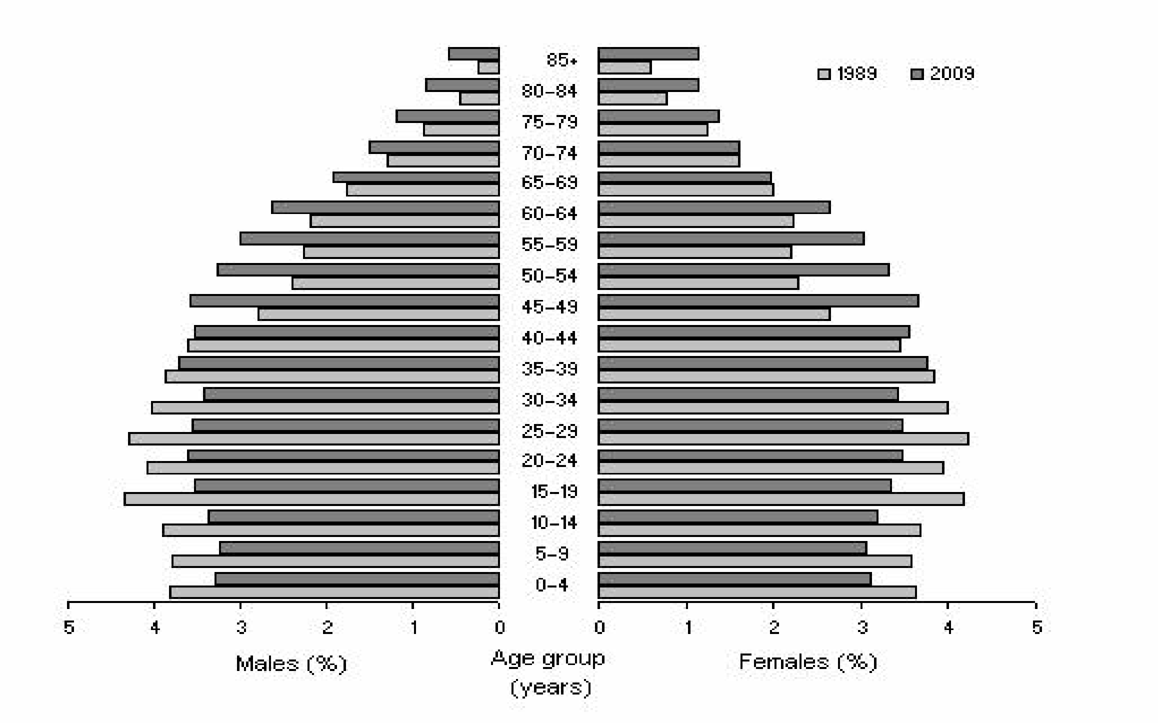
Public expectations of fairness and equity are high, with countering pressures for expenditure controls coming from the need for fiscal restraints on the broader economy. While Australians almost universally accept that no person should be left in need, there is plenty of diversity on the subject of what constitutes need and about which groups are most deserving of support. While the average working Australian today might hope most sincerely to never be dependent upon the age pension, they simultaneously exercise the right to maximize any possible age pension entitlements by judicious disposition of income and assets.

Existing entitlements are jealously guarded while perceived rorts or exploitations of the system by other, unsympathetic cohorts attract frequent and avid attention in the media. The administration must walk a very narrow line between zealous safeguarding of the taxpayer dollar and compassionate support of those in need.

Population Demographic Changes

There is widespread public awareness of the ageing of the Australian population and of the potential for future cost blowouts on age pension entitlements. As in most developed nations, Centrelink is expecting rapid growth in age pension numbers over the next decade. This is accompanied by increasing concern from the younger generations about what they see as the burden of supporting the cohorts of baby-boomers in their retirement.

Population structure, Age and sex **-** Australia **-** 1989 and 2009p

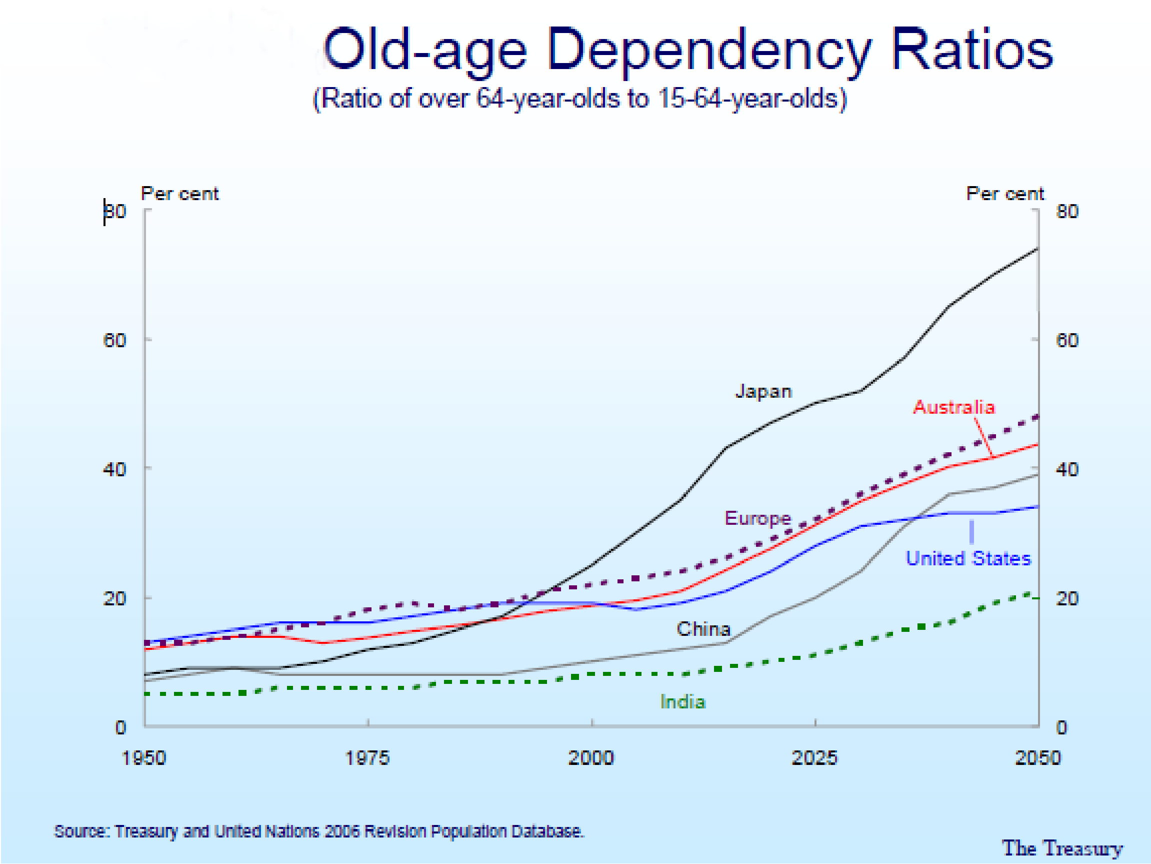


Australian Bureau of Statistics 3201.0 - Population by Age and Sex, Australian States and Territories, Jun 2009.

As previously highlighted, the Australian age pension is funded out of general revenue, of which 40% is sourced from direct taxes on labour income. Taxes on capital income account for 33%, with consumption taxes providing 27%, so while it is not true to say that the working age population bears the cost burden alone, their contribution is substantial.

In Australia the ratio of retirees to pre-retirees is not quite as dire as being seen in eg, Europe or Japan, but is higher than the rest of Asia or the USA:

The Australian Government has been taking measures to limit the future impact on pension outlays, starting with the Superannuation Guarantee in 1992. More recently, the income test on pensions has been tightened for new entrants and the minimum qualifying age will start rising gradually to 67 for both genders from 2017.



Source: Treasury projections and United Nations 2006 Revision Population Database, medium variant projections.

Growing complexity

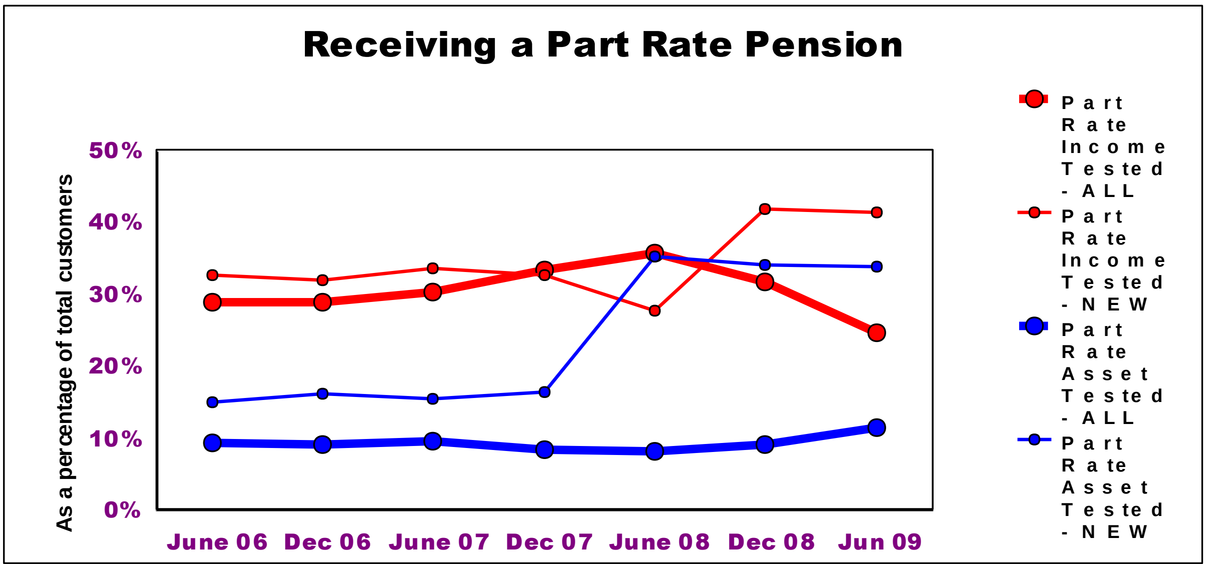
A gradual but significant change noticeable since the introduction of the age pension has been the enormous diversification in wealth among age pension applicants. Australians are keen private investors and there is also widespread property ownership apart from the family home, not least among the migrant population. Successive demutualisations by large-scale co-operatives have provided many working Australians with share portfolios, which trend has opened up the 'mums and dads' to notions of further investments and speculation. All of these investments are included in the means test.

In such an environment, a 'light' touch in means testing is not an option. When horizontal equity is a prominent and public expectation, it is necessary for the means test to recognise most forms of income and assets and to have detailed policy regarding the proper treatment of each. This gives us a complex and very active and vigorously tested legislative environment.

In Australia, most federal welfare payments are integrated in the sense that they are contained within the same body of legislation, and there are many rules in common between payments, although they often have subtle differences in detail to accommodate different policy objectives. Members of couples can be receiving different payments (eg, age pension and unemployment payments) but are usually treated as a unit for the calculation of entitlements.

Pensioner Demographic Changes

The Australian pensioner demographic is changing slowly. Each new cohort of pension claimants is slightly more affluent then the last, partly because of the more widespread adoption of superannuation and partly just as a result of increasing affluence since the 1950s. Presently, around 64.7% of our age pensioners are receiving the full pension rate, meaning that their income and assets are below certain levels beyond which the pension is abated by the means test.



Centrelink Statistics June 2009

In contrast, among current new pension claimants, Australia is seeing only 40% of pensions being awarded at the full rate. The new cohorts of pensioners are increasingly more likely to have superannuation or other species of income stream, or foreign pensions, as well as shares and managed investments, property (apart from the family home, which is exempt).

Another trend that has been evident for at least a decade is the tendency for new age pensioners to be migrating off other types off income support. There is a range of benefits paid by Centrelink for the pre-age pension cohorts, notably NewStart Allowance (for the unemployed), Disability Support Pension and Carer Payment. In the 12 months leading to September 2009, of the nearly 170,000 new age pension grants, over 63,000 were transferred onto age pension from these other income support payments. That subgroup tends to show different demographic trends to the broader pensioner population, having less wealth and a greater need for services and concessions.

The forecasts are for this trend to continue and accelerate, subject to employment trends, since claiming these under age pension age payments is viewed in some sectors as a type of early retirement.

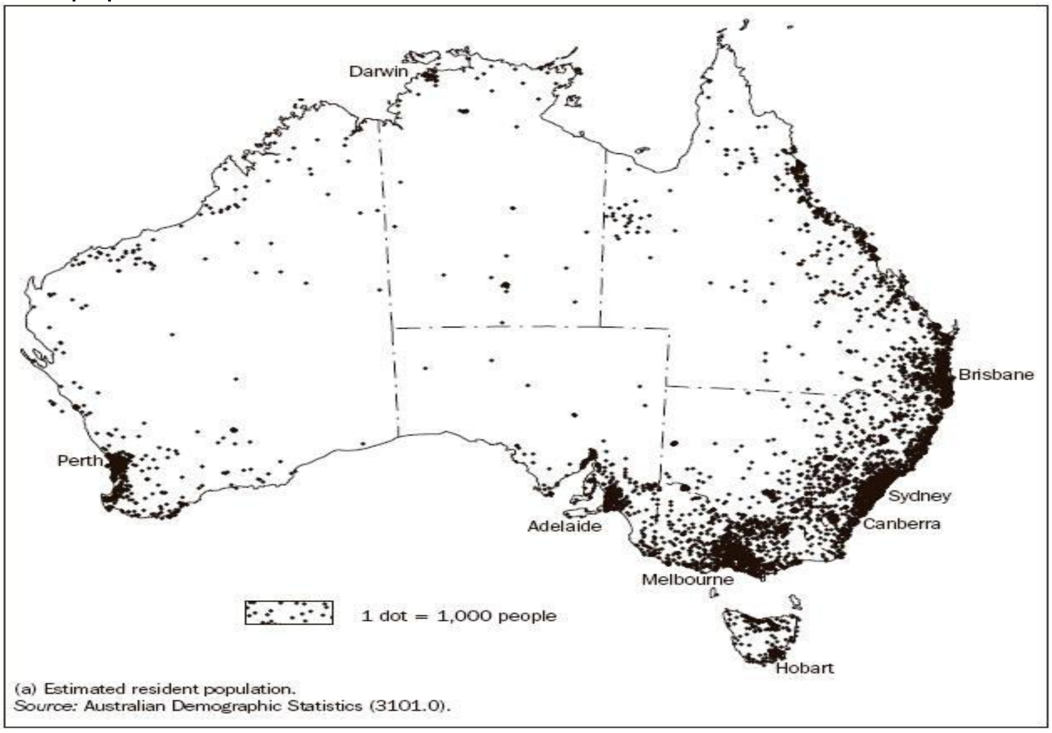
How will Centrelink deal with growing complexity and demographic change?

The broad dilemma facing Centrelink is that when dealing with seniors and their families, we see and hear a great deal of interest in the means test and how to maximise entitlements coupled with a diminishing understanding of the rules which dictate those entitlements. In a means tested environment, program savings needed by Government are commonly delivered through marginal tightening of the means test rules, bringing greater complexity.

Centrelink produces quantities of leaflets, booklets, handbooks and fact sheets that its customers can access through call centres, the internet, community advisers and local Centrelink offices. The volume churn of these products suggests a high level of interest by potential customers and their families or carers, and customer testing is supposed to ensure that the products are as understandable as possible. However, an increasing number of our claimants are coming to see us having already consulted with financial planners or accountants. Third parties are proving to be a group of growing significance as a conduit of information to pensioners.

Geographical factors

Australia is a physically large country, with a landmass of around 7.6m square kilometres. With a population of less than 22 million concentrated around the coastline and the eastern seaboard especially, the challenge for Centrelink is to deliver a high quality comparable level of social security administration to all the main population centres.



Distribution of Population in Australia, June 2006:

The majority of Australian seniors (92% as at 2006) live in private homes with their families or alone. Half of people who are aged over 85 are living alone. This figure is likely to reduce in future years as the population ages and the age profile skews more towards the advance age levels who require more high level assistance. On the other hand, the recently-retired segment is famously mobile and its members are often to be seen on our highways as ‘grey nomads’ with SUVs and winnebagos, exploring the country in comfort at their leisure.

Many seniors, especially the younger ones, are caring for their parents or for disabled adult children. Others are primary carers for their grandchildren and the group is generally known for having a high level of involvement in community volunteering.

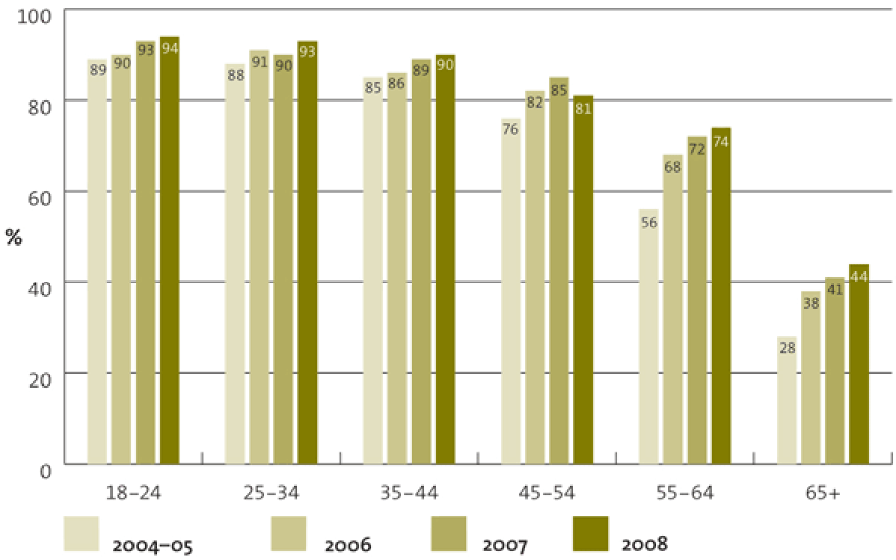
The Australian Government remains committed to full service delivery and infrastructure for ‘the bush’, while simultaneously continuing the search for alternative and cheaper methods of service delivery outside of the main metropolitan areas.

The emphasis is shifting to providing meaningful service levels to customers where they are via non-traditional delivery channels, such as online services. This is the reasoning behind the Government’s current national broadband strategy, since it is becoming evident that our ability to meet those commitments will depend on such technology.

Customer preferences

Just as the pensioner population is becoming wealthier, they are also becoming more technologically aware. The highest growth in take-up rate for online services is now in the retirement sector. Many seniors have the money to spend on computer hardware and broadband services and they demand to access and update their Centrelink records without leaving home.

Trends in general internet use by age:



Source: Department of Finance & Deregulation, Australian Government Information Management Office (2008)

While internet usage is evidently much lower for the 65+ age group, it can be seen that the 45+ and 55+ cohorts who will soon move into retirement have significant internet usage.

Over the next thirty years, we expect to see this trend increase, not least because in that timeframe, we will see the current recipients of family payments move onto the age pension, and the highest proportion of online service users has always been in family payments. Time-poor parents who use computers and the internet at work prefer to deal with us in the evenings from their own homes. It is only natural that they would carry this expectation into their retirement years.

Another driver for online access among the elderly is undoubtedly a function of Centrelink's broad range of services. Centrelink is primarily a source of Government assistance and support in times of need for all age groups.

Historically, pensioners have not regarded themselves as welfare recipients, whatever the underlying purposes of the legislation. Rather, there has been a sense of vested entitlement from a lifetime of work and taxation, a sense not reflected in the legislation.

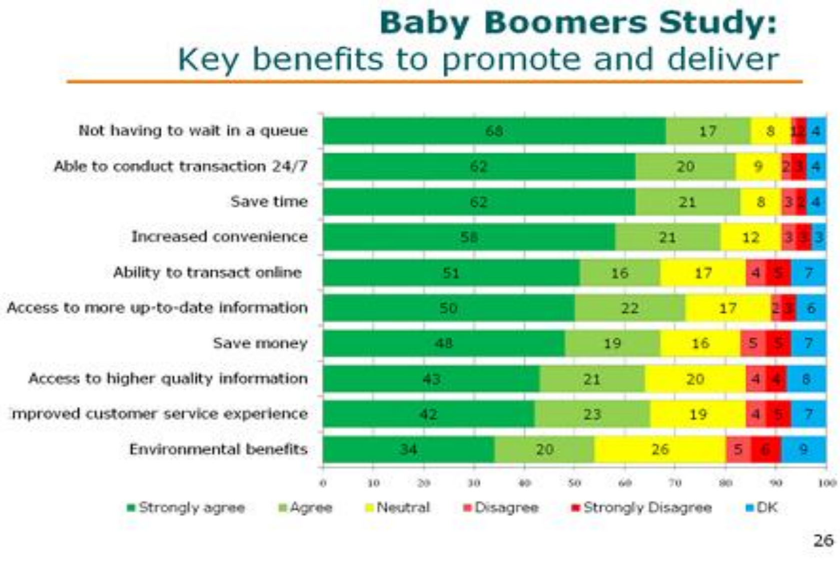
This clash of expectations brings some discomfort for some pensioners when they come to Centrelink offices where they find themselves among a much broader spectrum of income support recipients.

Centrelink does make considerable effort to customize parts of our offices to the needs of seniors, but the fact remains that some pensioners are neither willing nor able to queue in a Centrelink office.

There is still some resistance to the use of online services among seniors from some cohorts. This is particularly true when urgent problem resolution (eg missing payments) is at stake, when pensioners want to talk to a human being and like to see the matter resolved on the spot.

Pensioners are still not entirely happy with using call centres. They can see these as a 'generic' service requiring them to push buttons in order to find the right inquiry queue. Older Australians put more trust in dealing face to face so as to verify that their business is transacted accurately.

The key selling points Centrelink has found for online and telephony services are:



Source: Centrelink Research 2009

These same baby boomers have shown marked preferences for which transactions they prefer to do online. This tells us that the key to success is in moving transactions rather than customers online, since there are still very few customers who want to deal with us online exclusively.

There remain tasks that almost any group of Centrelink customers still prefer to conduct in person 'with a real human being' . These include:

- accessing payment history details
- change of telephone number
- change of address
- change in Superannuation
- change in investments
- change of employment details
- change in shares or managed investments
- reporting income
- applying for a benefit or payment
- querying a missed payment

Remembering that the Australian pension is an income support payment, these are all tasks whose successful transaction directly affects the immediate income security of the pensioner, where a mistake from either party could cause serious distress or hardship.

Over time, Centrelink hopes to develop greater customer confidence in doing most or even all of these tasks online or by phone.

Current Service Delivery and Data Management

Centrelink's range of web and Interactive Voice Response (IVR) services has continued to grow, with 55 services representing over 90 viewing, updating and claim transactions now available. Customers conducted more than 18 million individual web and IVR transactions in 2007–08.

Electronic data transfer transactions with third parties increased from over 18 million in 2006–07 to over 20 million in 2007–08—up by 9.5 per cent from the previous year.

In 2007–08 Centrelink also began to offer Secure Online Mail (SOM) and Short Messaging Service (SMS) for reminders and notifications. Centrelink also continued to support Secure Internet Mail Service (SIMS) for comments and feedback from customers. During 2007–08 the number of Secure Online Mail messages exceeded 900,000 and the number of SMS was over 1.2 million.

Acquisition of Customer Data from Third Parties

There is a persistent belief among our pensioners that Centrelink can obtain any information about them, regardless of source. This is not quite the case.

Privacy regulations mean that our reach into the data banks of other agencies and institutions is not comprehensive, but we believe that resistance will gradually fade as customers begin to understand the huge advantages to themselves of allowing their sources of income to communicate freely with Centrelink. Our colleagues in taxation have been following a similar course and are already reaping the benefits in administration and reduced error.

For Centrelink, a key point of difference to systems in other countries is the need to check data relating to customers *after* they have been awarded the pension. Our means test is real-time and continuous. Theoretically, a pension could be paid at a different rate every fortnight if a pensioner's income or assets were varying to that extent, although in reality, we would try to come to a more convenient arrangement for both parties. However, the fact remains that the exact entitlement may change due to changes in circumstances which the pensioner may or may not report to Centrelink. We are therefore interested in acquiring data from third parties in order to minimise this area of risk.

Centrelink already has significant reliance on third party data for the following information about our pensioners:

1. Superannuation payments
2. Income Stream assets and payments
3. Managed investments
4. Shares
5. Listed property trusts
6. Bank accounts and investments
7. Real property assets

This data is primarily used where Centrelink already knows about the income or asset concerned and is accepting third party data by way of keeping the information current. In addition, Centrelink has a range of data matching activities to discover income or assets that have not previously been disclosed to Centrelink.

Profiling the future age pensioners

So where does this lead us in planning future service delivery?

Unlike the typical contributory pension institution, Centrelink does not have an existing body of contributors in the pension accumulation phase. We forecast the shape of the oncoming pensioner population by looking at a wide range of internal and external data.

From that data, we can draw the following conclusions about how our age pension group will look over the next three decades:

- ***Demographic changes*** - initially, as the baby boomer cohort moves onto pension, we should see a swelling of numbers in the lower pension ages. Centrelink is already seeing the leading edge of this group coming through.
- The Australian age pension age is increasing to 67, but this will not be fully effective until 2023.
- More than 35% of seniors will be overseas-born, with more than 22% being from non-English speaking countries. Many will show the present tendency to

revert to their first language for everyday use they age, which will affect service delivery.

- At the same time, large numbers of current pensioners will be approaching advanced old age producing significant growth in the 90+ bracket.
- The future pensioner demographic is even less uniform than today's. The combined effects of demographic influx and increased life expectancy will yield a pensioner group that is extremely diverse on every measurable parameter – wealth, health, service expectations and social inclusion.
- ***Health and wellbeing*** - the baby boomer cohort will generally be more active, mobile and wealthy than most current pensioners and will place different demands on customer service agencies.
- Many younger pensioners will be active and mobile, some travelling around Australia as 'grey nomads' and expecting a full spectrum of Centrelink services wherever they go. Although a prominent group, these are not necessarily typical.
- Others will be limited by financial, social and physical/health constraints. This would particularly apply to the low-income groups who have been receiving government income support prior to receiving the pension.
- Within two decades Australia expects to have over a million people over 65 years of age with a severe or profound core activity limitation due to various disabilities, not least of which is dementia.
- ***Pensioners as carers and volunteers*** - increasing numbers of pensioners will be providing care to someone else at home. The recently retired are likely to have parents still living and many of them will provide care in their own homes.
- Nearly half the pensioners in the sub 75 age group will be providing unpaid assistance to persons outside of their own home (volunteer and community work).
- ***Accommodation patterns*** appear to be stabilising – over all senior age groups, the majority of seniors will live in private accommodation, alone or with their families.
- However, up to half of seniors aged 85+ will be living in aged accommodation, up from the present 31% by virtue of the ageing profile of the senior cohorts.
- Centrelink should see increasing numbers who deal with us using an agent – either a relative, an accountant/financial planner or a public trustee.
- ***Technological competence*** - almost all seniors or their agents will be comfortable dealing with Centrelink online or by phone, or by whatever other yet unknown electronic services may then be available.
- Some will have been using internet banking and similar services for decades by the time they retire.
- While Centrelink expects that as individual pensioners age, levels of comfort with technology may actually decline, this is the juncture at which third parties

(typically adult children) step in to be the contact person for Centrelink. The dependence on technology will not therefore drop off significantly.

- ***Wealth*** - although the group is diverse, the average pensioner will be wealthier than now, with more pensioners having a meaningful superannuation investment. This will render Centrelink's task of administering the means test more complex.
- At the other end of the spectrum, there will still be a steady stream of people coming onto pension from other income support payments, such as benefits for the unemployed. This group will have relatively simple income and asset assessments, but relatively high demands for support services such as housing and health. Centrelink will be called upon to provide greater co-ordination of such services.
- Centrelink expects demands for greater accountability and transparency in decision-making. Pensioners will want to check our calculations and compliance with the legislation. There will be more sharing of information between customers by way of internet forums and blogs.
- Increasing numbers will engage in part-time employment, partly due to recent incentives built into the means test and partly in response to concerns about higher morbidity resulting from inactivity.
- Centrelink expects future customers to have a greater level of comfort with and perhaps even expectation of data-sharing between Government agencies at all levels and between Government agencies and the private sector. Hopefully, privacy legislation will keep pace with those expectations.

How will Centrelink construct a service offer to meet these needs?

Centrelink sees its future directions developing along the following lines:

- A greater degree of integration with other Government services, federal and state. Governments want to respond to the public requirement of 'no wrong door' when looking for assistance and support.
- A steady expansion of online services to pensioners, from the initial inquiry right through to new claims and regular review processes.
- The online services will include self-service and virtual-officer assisted transactions.
- Telephony will play an increasingly important key role. If deployed optimally, call centres can provide a unique opportunity for integration of services to the public for an institution like Centrelink that delivers programs for a range of Government agencies. In the future the demarcations between online and telephony channels may be less visible.
- Further expansion in the channels for contacting pensioners. Ten years ago, we might never have envisaged contacting pensioners via text messaging, but it is an option already.
- What other channels are yet undreamt-of? So far the trend in Centrelink and in Government services generally has been to multiply and then integrate the

number of available channels, without actually closing down any traditional channels. It remains to be seen how long we can keep that up. Every additional channel incurs another layer of costs in project delivery.

- Continuing channel integration requires greater technological co-operation at the 'back end' of various government agencies and the commercial world. There are considerable opportunities for linking diverse, multi-generational software platforms.
- The profusion of services and payments to be delivered and the need for standards across the country will necessitate a greater dependence on virtual, online offices and a lessened reliance on physical locations.
- There will be a greater dependence on third party data acquisition, both for pre-loading of customer data and for data matching of existing information to prevent fraud.
- In Australia, we still have some work to do in the legislation governing administration of payments. While Centrelink has been reducing our reliance on direct pensioner reporting, the legislation has not relieved the pensioner of the legal requirement to so report, even when the implementation of our new data sources has been premised on a reduction in pensioner contact. Centrelink does not actually want the pensioners to keep reporting certain changes to us, and yet, for full observance of the law, they must do so.
- As the main agency responsible for the expenditure of general revenue funds, Centrelink, on behalf of the Government has tended to prosecute pensioners who are detected in the more egregiously fraudulent behaviours. There is a sense in which we compromise the ability to do that if we soften the laws regarding the obligation to notify of changes, and this has resulted in some ambivalence on the subject of legislative change re compliance obligations.

What are the risks to data quality from self-service?

Perhaps contrary to intuition, when pension customers provide their own income and asset details online, the early evidence suggests that we get as good and sometimes better data quality than when the information is acquired through interviews and forms.

This is particularly true with complex investment vehicles such as managed investments or trusts.

Nevertheless, from those who do see self-service as an opportunity to exploit opportunities for fraud, there is certainly some risk of short-term incorrectness.

Centrelink also sees a distinct improvement in information quality from third party data acquisition, particularly in areas where we know that pensioners' understanding of the relevant rules is poor.

A good example is private income streams (eg annuities), where a project designed to reduce administrative costs by requesting allocated pension details directly from providers revealed that we had been over-estimating pensioners' income streams nearly as often as we had been under-estimating them, thanks to incorrect data provided by pensioners. In a means tested environment, the incidence of pension *under*payments that are not generating pensioner complaints is a fairly sure sign of a lack of understanding of the rules by the pensioners.

What quality controls can we implement?

The best controls Centrelink can presently envisage for the risk of incorrect data entering our systems via self service are basically the same controls we use for more traditionally acquired data, namely:

- Data matching from trusted sources.
- Targeted Review programs. While it is not practicable nor cost-effective to check the income and assets of every pensioner every year, Centrelink is able to select those who are most in need of more frequent review and target checks within that group.
- Acquisition of data for common customers from third party providers.
- Pre-payment automated checks. Centrelink already has some capacity for immediate identity checks to be automated before a claim is put into pay, particularly in the area of identity-checking. More recently, we have started checks on immigration status.

The further forward in the earlier and more frequently we can implement these checks, the greater the integrity of our outlays.

Conclusion

For the foreseeable future, Centrelink will continue to offer the full range of services and delivery channels our pensioners have come to expect. However, gradually, pensioner expectations will change, led by positive experiences and generational change. The task for Centrelink will be to manage the logistical challenges in deploying an equivalent level of services over a multiplicity of channels.

Paul Cowan
General Manager
Seniors, Families and Carers
Centrelink
Australia
December 2009
paul.cowan@centrelink.gov.au

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Appendix A

Superannuation funds in Australia

There are about 300,000 superannuation funds in operation in Australia, counting small self-managed superannuation funds. Of all funds, 362 have assets totalling greater than $50 million.

There are six main types of superannuation funds:

- Industry Funds are run by employer associations and/or unions and cover multiple employers. Unlike Retail/Wholesale funds they are run solely for the benefit of members and there are no shareholders.
- **Wholesale Master Trusts** are run by financial institutions for groups of employees, again covered by multiple employers. These are also classified as Retail funds.
- **Retail Master Trusts/Wrap platforms** are funds run by financial institutions for individuals.
- **Employer Stand-alone Funds** are funds established by employers for their employees. Each fund has its own trust structure that is not necessarily not shared by other employers.
- **Self Managed Superannuation Funds (SMSFs or Do-It-Yourself Funds)** are funds established for a small number of individuals (usually fewer than 5) and regulated by the Commissioner of Taxation.
- **Public Sector Employees Funds** are funds established by governments for their employees.

Retail and Wholesale Master Trusts constitute the largest sector of the Australian Superannuation Market.

Superannuation is concessionally taxed at a flat rate of 15% at three points: on contributions, on earnings and another on the final payout. These taxes contribute over $6 billion in annual government revenue. Superannuation receives a beneficial tax treatment as the 15% tax rate on contributions is lower than the rate an employee would have paid if they received the money as income. However, since July 2008, there have been lowered limits on the amount of income Australians can contribute to superannuation funds at the concessional taxation rate.

From 1 July 2007, Australians over the age of 60 face no taxes on withdrawing monies out of their superannuation fund if it is from a taxed source. The funds drawn from a non-taxed source are not exempt.