

1993-94

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**VETERANS' AFFAIRS LEGISLATION
AMENDMENT BILL (NO 2) 1994**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Veterans' Affairs,
The Honourable Con Sciacca MP)



TABLE OF CONTENTS

Outline and Purpose.....i
 Financial Impact.....i
Part 1 — PRELIMINARY.....1
Part 2 — PENSION AGE.....2
PART 3 — ADVANCE PHARMACEUTICAL ALLOWANCE7
PART 4 — PENSION CHILD ADD-ON8

OUTLINE AND PURPOSE

This is a small bill the major purpose of which is to give effect to the Government's 1993-94 Budget initiative to increase the qualifying age, at which women can qualify for age service pension from the Department of Veterans' Affairs, from 55 to 60 years over a twenty year period. The bill also contains two other minor measures; the reintroduction of advance pharmaceutical allowance with effect from 1 January 1995 and a \$52 per year increase in the maximum rate of the dependent child add-on which is payable to service pensioners for children under the age of 16 years.

Increase qualifying age for age service pension for women

The decision to increase the qualifying age for women receiving age pension from the Department of Social Security and age service pension from the Department of Veterans' Affairs, was part of the Government's 1993-4 Budget initiatives. As announced in the 1993 Budget, the increase in the qualifying age is to be phased in with the first adjustment occurring on 1 July 1995.

The necessary legislative amendments to give effect to this proposal in respect of Social Security Age pensions are contained in the Social Security Legislation Amendment Act (No. 2) 1994.

This bill gives effect to the changes required to the Veterans' Entitlements Act to increase the qualifying age for women. Commencing from 1 July 1995 the qualifying age for women will be increased by six months every two years so that, by the year 2014, the service pension qualifying age for women will have increased from 55 to 60 years.

Advance Pharmaceutical Allowance

The provisions relating to the payment of advance pharmaceutical allowance enacted in the *Veterans' Affairs Legislation Amendment Act (No. 2) 1991* were subject to a sunset clause. On 1 January 1994 that clause came into effect and repealed the relevant provisions for the payment of the advance in the Veterans' Entitlements Act. This bill provides for the reintroduction of the allowance with effect from 1 January 1995.

Pension child add-on

As part of the 1993 Budget, the Government agreed that from 1 January 1995, the maximum rate of additional family payment should be increased by \$1.00 per week for each child under 16 years of age. The decision was part of a package to assist low income earners and unemployed persons to offset increases in the wholesale tax announced in the 1993 Budget.

Child related payments paid to service pensioners are matched to the additional family payments under the Social Security Act. An increase in the Social Security additional family payment has been effected by an appropriate amendment to the Social Security Act. The amendment to the Veterans' Entitlements Act will ensure that a similar

increase will apply to service pensioners with dependent children under the Veterans' Entitlements Act.

Financial Impact

The increase in the qualifying age for service pension for women is estimated to result in minor pension savings in 1995-96, 1996-97 and 1997-98.

The costs of reintroduction of advance pharmaceutical allowance are negligible.

The \$1.00 per week increase in the rate of dependent child add-on is estimated to cost \$0.09 in 1995-96, \$0.145m in 1996-97 and \$0.145m in 1997-98.

PART 1 — PRELIMINARY

Part 1 of the Bill sets out how the amending Act is to be cited (subclause 1(1)), provides that the “Principal Act” means the *Veterans' Entitlements Act 1986* (subclause 1(2)) and sets out when the various Parts and Sections of the amending Act are to commence (clause 2).

PART 2 — PENSION AGE

Summary of proposed changes

This amendment gives effect to the 1993 Budget initiative to increase the pension age for women from 55 to 60 years for female veterans and from 60 to 65 years for non veteran pensioners. This change is to be phased in with the first adjustment occurring on 1 July 1995.

Background

This change is consistent with a similar amendment to the qualifying age for women for Social Security Age Pension. That change was included in the *Social Security Legislation Amendment Act (No. 2) 1994* which passed through Parliament in the 1994 Winter Sittings.

The distinction between men's and women's pension ages has been based on historically lower labour force participation rates for women. Such distinctions are becoming less pronounced and this trend is expected to continue into the next century. Accordingly, the women's pension age will gradually be increased from 55 to 60 years commencing from 1 July 1995. The increase will be phased in over a lengthy period in recognition of any remaining labour force disadvantages incurred over the years by the older women affected by this proposal.

The vast majority of women veterans will not be affected by these changes as they are already more than 63 years of age and are already receiving service pension. Those few women who would otherwise have qualified at 55 years of age will have access to labour force programs and supporting programs such as Job Search Allowance. Female veterans who are permanently incapacitated for work will continue to qualify for invalidity service pension at any age.

Explanation of the changes

The pension age for women veterans will be increased by six months of age every two years. The way in which this increase will take place is shown in the following table. A woman will reach pension age when she turns the age indicated in the table for her birthdate. The date for the commencement of each "new" pension age is also shown in the table.

BIRTHDATE	PENSION AGE	DATE PENSION AGE APPLIES
Before 1 July 1940	55 years	Before 1 July 1995
1 July 1940 to 31 December 1941	55 years and six months	1 July 1995
1 January 1942 to 30 June 1943	56 years	1 July 1997
1 July 1943 to 31 December 1944	56 years and six months	1 July 1999
1 January 1945 to 30 June 1946	57 years	1 July 2001
1 July 1946 to 31 December 1947	57 years and six months	1 July 2003
1 January 1948 to 30 June 1949	58 years	1 July 2005
1 July 1949 to 31 December 1950	58 years and six months	1 July 2007
1 January 1951 to 30 June 1952	59 years	1 July 2009
1 July 1952 to 31 December 1953	59 years and six months	1 July 2011
On or after 1 January 1954	60 years	1 July 2013

It can be seen from the table that a woman who has not turned 59 years and six months by 1 July 2013, when the last pension age increase occurs, will have to turn 60 years of age before qualifying. This will occur on or after 1 January 2014.

Under the new provisions, a woman reaches pension age only once -when she turns the age appropriate to her birthdate as shown in the table. Once she reaches pension age, she will retain that status for the purpose of age service pension qualification, even if she does not claim and is not granted pension until after a later increase in the pension age has come into effect. For example, a woman born on 31 December 1947 reaches pension age on 30 June 2005 when the target age is 57 years and six months. However, on the following day, 1 July 2005, the new age target is six months older at 58 years. Although she is now not old enough to meet the new target, she retains the eligibility she has already acquired.

Women who are not veterans will also have their pension age increased from 60 to 65 years over the same period and in the same manner. Service pensioner women who are not veterans acquire their eligibility independently of their age. Although their eligibility is not affected, their rate of pension may be affected. The following table details the pattern of the changes for these partner or carer women service pensioners.

BIRTHDATE	PENSION AGE	DATE PENSION AGE APPLIES
Before 1 July 1935	60 years	Before 1 July 1995
1 July 1935 to 31 December 1936	60 years and six months	1 July 1995
1 January 1937 to 30 June 1938	61 years	1 July 1997
1 July 1938 to 31 December 1939	61 years and six months	1 July 1999
1 January 1940 to 30 June 1941	62 years	1 July 2001
1 July 1941 to 31 December 1942	62 years and six months	1 July 2003
1 January 1943 to 30 June 1944	63 years	1 July 2005
1 July 1944 to 31 December 1945	63 years and six months	1 July 2007
1 January 1946 to 30 June 1947	64 years	1 July 2009
1 July 1947 to 31 December 1948	64 years and six months	1 July 2011
On or after 1 January 1949	65 years	1 July 2013

Explanation of clauses

Clause 3 inserts an appropriate reference in the index to the revised definitions of pension age in sections 5QA and 5QB.

Clause 4 and Clause 5 also make necessary changes to the various references to the definitions relating to pension age.

Clause 6 inserts a new definition of "pension age" in the general definitions in section 5Q of the Principal Act.

Clause 7 inserts new sections 5QA and 5QB into the Principal Act. Section 5QA provides that the pension age for veterans, in the case of a man, will remain at sixty years of age. For a woman who is a veteran born before 1 July 1940, the qualifying age will remain at 55 years. New subsection 5QA(4) sets out the table showing the relevant pension age for women veterans born after 1 July 1940.

New section 5QB inserts similar provisions in relation to persons who are not veterans.

Clause 8 amends section 36 of the Principal Act relating to eligibility for age service pension. It does this by omitting the existing paragraph (1)(c) and substituting a new paragraph (1)(c) which provides that a person is eligible for an age service pension if the person has reached age pension age as defined in new section 5QA. An appropriate note is added to the end of the subsection to give a cross reference to the definition of 'pension age' in section 5QA.

Clause 9 amends section 45A of the Principal Act. This section relates to eligibility for income support supplement. Provision for payment of income support supplement was made in the *Veterans' Affairs (1994-95 Budget Measures) Legislation Amendment Act 1994*. The supplement is an income and assets tested amount available to war widow and widowers who do not receive age or invalidity service pension. It will become payable on 20 March 1995.

In the past, a war widow or war widower, who is not eligible for age or invalidity service pension, could qualify for a social security age, disability support, wife pension carer pension or a disability wage supplement. However, a war widow or widower who is under pension age, will not qualify for a social security payment unless he or she is permanently incapacitated or qualifies as carer.

In the light of the changes to the pension age for veterans, it is necessary to apply the same pension age provisions to persons who apply for income support supplement. Clause 9 does this by amending section 45A of the Principal Act to require that for the purposes of qualifying for income support supplement, a person must be of **pension age** to meet the qualifying age provisions.

Proposed new paragraph 45A(2)(b) requires that if a person is not a veteran, the qualifying age is the same age that would be the **pension age** if that person were a veteran.

This will ensure that the purpose behind the payment of income support supplement for widows and widowers is retained and that the qualifying age provisions retain parity with those applicable for eligibility for age service pension during the transitional period during which the age service pension age for women is increased from 55 to 60 years.

Clause 10 makes the necessary adjustments to the references in section 52ZA to the qualifying age provisions for participation in the pension loan scheme. It will ensure that the same age criteria also applies to the existing age requirement provisions in section 52ZA of the Principal Act. These set out the eligibility provisions for participation in the pensioner loans scheme for a person who is a member of a couple.

Clause 11 amends section 52ZG to adjust the age qualifications relating to the recovery of debts under the pensioner loan scheme on the death of a person, in certain circumstances.

Clause 12 amends section 118V of the Principal Act in a similar fashion to ensure parity is retained with the qualifying age requirements relating to eligibility for the seniors health card.

Commencement

Subclause 2(1) specifies that these changes (except clause 9) commence on the day on which the Act receives Royal Assent. Subclause 2(3) provides that the changes specified in clause 9 commence on 20 March 1995 after Division 7 of Part 2 of the *Veterans' Affairs (1994-95 Budget Measures) Legislation Amendment Act 1994*.

PART 3 — ADVANCE PHARMACEUTICAL ALLOWANCE

Summary of proposed changes

This change will provide for the reintroduction of provisions for the payment of advance pharmaceutical allowance with effect from 1 January 1995.

Background

As part of the changes to the Pharmaceutical Benefits Scheme introduced from 1 November 1990, provision was made for the payment of advance pharmaceutical allowance for chronically ill pensioners with a high volume of prescription drug use. *The Social Welfare Legislation (Pharmaceutical Benefits) Amendment Act 1990*, (No. 84 of 1990) refers.

The advance scheme was initially introduced for a twelve month period. This was subsequently extended for a further period of two years to 1 January 1994 through the application of a sunset clause in the amending legislation, the *Veterans' Affairs Legislation Amendment Act (No. 2) 1991* (No. 208 of 1991.)

A further extension of the sunset clause provision to 1 January 1995 was proposed in the *Veterans' Affairs Legislation Amendment Bill (No. 2) 1993*. However, when this bill was set aside by Parliament and 1 January 1994 was reached, section 17 of the *Veterans' Affairs Legislation Amendment Act (No. 2) 1991*, came into effect. This removed the provisions in the Act relating to the payment of advance pharmaceutical allowance with effect from 1 January 1994.

Explanation of the changes

The changes proposed in this bill will reintroduce the provisions relating to the payment of advance pharmaceutical allowance with effect from 1 January 1995. In addition, they will not be subject to any further sunset provisions.

Explanation of clauses

Clause 13 reinserts Division 2 - *Advance pharmaceutical allowance*. This division contains provisions identical to those which were repealed when the sunset clause came into effect on 1 January 1994.

Commencement

Subclause 2(2) specifies that these changes commence on 1 January 1995.

PART 4 — PENSION CHILD ADD-ON

Summary of proposed changes

The proposed amendments provide that from 1 January 1995 the maximum rate of dependent child add-on payable to service pensioners for children who have not turned 16 will be increased by \$52.00 per year.

Background

As part of the 1993 Budget process, the Government agreed that from 1 January 1995 the maximum rate of additional family payment should be increased by \$1.00 per week per child under 16. The decision was taken to assist low income earners and the unemployed to offset increases in the wholesale tax announced in the 1993 Budget.

The additional family payment increase was achieved by the insertion of a new point, 1069-D24, into the Family Payment Rate Calculator in section 1069 of the Social Security Act.

Child related payments paid to service pensioners under the Principal Act are matched to the additional family payments to similar pensioners under the Social Security Act.

Explanation of the changes

This proposal amends the Principal Act so that \$52.00 per year is added to the annual rate of both the:

under 13; and

the 13 or over but under 16

add-on for dependent children on 1 January 1995.

The existing indexation provisions in Division 21 of Part III apply to child related payments (Items 2 and 3 of the INDEXED AND ADJUSTED AMOUNTS TABLE in section 59A refer).

Section 59F deals with the adjustment of pension child add-ons. As mentioned above, it matches child related payments to additional family payment rates. On 1 January each year it replaces the old rates with the new rates just calculated under the Social Security Act. Section 59F does this by referring to "Part 3.16 (Indexation) of the Social Security Act". However, new point 1069-D24 is in Part 3.7 of the Social Security Act and thus the additional \$1.00 per week added to additional family payment rates by that point will not be captured when section 59F operates on 1 January 1995.

Because the increase provided for by new point 1069-D24 will be missed, this proposal adds a similar amount to service pension child add-on rates.

Explanation of clauses

Clause 14 inserts two new subsections into section 59F. The new subsections are similar to one another and respectively apply to under 13 and 13-15 child add-ons.

The new subsections require that \$52.00 per year and \$2.00 per fortnight be added to the rates obtained after the operation of existing subsections (1) and (2).

Commencement

Subclause 2(2) specifies that these changes commence on 1 January 1995.

