Tasmanian Association of State Superannuants
(TASS)

Submission to the Commonwealth Government's Retirement Income Review

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Tasmanian Association of State Superannuants Inc.

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Introduction

The Tasmanian Association of State Superannuants Inc. (TASS) was formed in 1974. TASS is a member based, incorporated, not for profit organisation that represents the interests of around 9,300 superannuants within Tasmania who have retired from employment in the Tasmanian Government State Service and around 9000 RBF contributors who are still employed within the Tasmanian State Service.

Our members come from a wide range of occupations including nurses, teachers, fire service employees, police officers and the wide range of people who provided the administrative services central to the operation of government. Those we represent are either receiving, or eligible to receive, a Retirement Benefits Fund Board of Tasmania (RBF) Contributory Scheme Life Pension.

Their average life pension is $33,070 according to the latest RBF Annual Report and the value of this pension is declining over time both in relation to wages in the economy generally and in relation to the age pension. For older members, who have been retired for many years, their pensions have significantly declined in value causing hardship in many cases.

We also represent the interests of the spouses of those in receipt of life pensions.

TASS is governed and managed by an elected Executive of 12 members.

TASS is recognised by the State Government and RBF as the association representing the interests of RBF Life Pensioners. TASS liaises with the State and Federal Governments, the RBF, and partner organisations on superannuation matters of importance to its members.

Purpose, Functions and Issues for TASS

The main purpose of TASS is to protect and enhance the financial security of Retirement Benefits Fund (RBF) Life Pensioners and their families.

Our functions include:

- advocating and lobbying on behalf of members. There are numerous opportunities for members to communicate their views, and ask questions on issues of concern to them;
- arranging activities such as forums with guest speakers on topics of interest and relevance to retirees;
- producing a quarterly magazine, 'Super-News' with information about TASS initiatives and other relevant items; and
- managing a website and Facebook Page with current news items and information relevant to our members.

In recent years, the key issues that TASS has been dealing with include:

- the financial pressures facing retirees, including the rising costs of food, healthcare, power, water, council rates, and insurances, that adversely impact on their quality of life;
- changes to superannuation legislation and rules that have impacted adversely on RBF Life Pensions;

- the erosion of the value of members' pensions by indexation that fails to maintain spending power during a time of substantial increases in the cost of many unavoidable household expenses; and
- changes to tax treatment of defined benefit pensions and to income and asset tests for Centrelink benefits that also impact RBF Life Pensions.

TASS Membership

As at November 2019 TASS had 1018 financial members.

The age profile for all RBF pensioners in the table below was provided by RBF in July 2015, the latest available data.

Age range	All RBF Pensioners (Jul15)
55 to 60	1288
61 to 65	1768
66 to 70	1761
71 to 75	1237
76 to 80	1099
81 to 85	1104
86 to 90	710
91 to 95	273
96 to 100	44
101 to 105	5
Total	9289

The figures show that -

- 33% of RBF members are in the age range 55-65
- 44% of RBF members are in the age range 66 to 80, and
- 23% of RBF members are 81 years old and over.

Most TASS members are defined benefit superannuation pensioners, and there are a small number of members that are current State Service employees who are members of the RBF Contributory Scheme which has been closed to new members since 1999.

In 2017, TASS surveyed its members and found that approximately 30% of its members were female, and approximately 53% of members reported that they had no other income apart from the RBF Defined Benefit pension.

The Focus of Our Submission

In making a submission to the Review, TASS wishes to bring three things to the attention of the Review Panel. These are:

- the need for the government to adopt clear and transparent principles when making decisions that impact upon retirees;
- the erosion of living standards in retirement due to government decisions and inappropriate indexation of pensions; and
- the impact of changes introduced by the *Social Services Legislation Amendment (Defined Benefit Income Streams) Act 2015.*

Retirement Income Policy Principles to Guide Decision Making By Governments

> ***TASS requests that Governments adopt the principles outlined below to ensure that retirees have increased security permitting them to make the best decisions for their future during their working life and at the point of retirement.***

TASS is becoming increasingly concerned about the impacts that recent ad hoc decisions of Government have had on the well-being of retirees. We have found that these decisions are impacting directly on our members and it would appear that when making decisions Government is not giving due regard to the impact of those decisions on the living standards of retirees.

Frequently we see decisions being made with a focus on Commonwealth budgetary impacts relating to the age pension. Rarely is consideration given to the impact of changes to our retirement income system on those older Australians in receipt of defined benefit pensions.

In representing the interests of superannuants in Tasmania it has become very clear that the maintenance of living standards is of fundamental concern to our members. They highlight the erosion of living standards over their retirement as a critical issue.

Government decisions resulting in negative financial impacts on retirees not only cause direct financial hardship to those retirees, but also lead to significant mental health issues as they disrupt pre-planned retirement objectives and directly impact on the living standards of retirees.

As people retire from the workforce they make decisions in light of the rules applying at the time and there are few opportunities for retirees to reverse those decisions or adopt strategies to offset subsequent decisions by Government which have adverse impacts on their well-being.

Consequently, and in view of some more recent Government decisions which have had negative impacts on retirees, TASS considers that it is now imperative that future decisions relating to the impacts of changes to retirement incomes policy in Australia be based on wider strategic objectives and aspirations and not driven solely by budget considerations.

TASS contends that unless the Commonwealth Government recognises the broader impacts of its decisions on the retirement plans and living standards of retirees their general health and well-being will continue to decline, with significant impacts to other parts of the Commonwealth and State budgets. We would contend that these extra costs more than outweigh any savings that may be achieved in relation to age pension expenses by Government.

TASS considers that the mental health of retirees who suffer a continuing decline in living standards through financial stress and forced lifestyle changes is not recognised by Government and appropriately considered. Income security, consistency of the rules applying to retirement incomes and the maintenance of modest lifestyles are not only sought by retirees, but these measures are considered a basic right after a long working life where a retiree has made a considerable personal contribution to their retirement income.

In view of the above TASS recommends that future Government decisions affecting retirees be determined in accordance with the following fundamental principles:

1) future Government decisions impacting on existing retirees will have regard to the age profile of those affected, recognising that this age group is particularly vulnerable to negative lifestyle changes, often resulting in stress and other mental health issues;
2) future Government decisions impacting on existing retirees will have regard to the pre-retirement plans and decisions of those existing retirees and acknowledge these long-term pre-retirement planning aspirations;
3) future Government decisions impacting on existing retirees will not directly result in negative financial impacts, particularly to those retirees on low retirement incomes;
4) future Government decisions impacting on retirees will have specific regard to the current financial situation of existing retirees, with the principle of 'grand-fathering' in appropriate situations being utilised to avoid un-intended consequences in circumstances where broad Government decisions impact negatively on retirees; and
5) future Government decisions impacting on retirees will acknowledge the inadequacy of the existing CPI adjustment system as an appropriate measure to keep pace with the cost of living.

TASS contends that the adoption of these principles will offer retirees more security in retirement and permit them to make the best decisions for their future during their working life and at the point of retirement. We further contend that, while on the surface, principles such as grandfathering may appear to have costs to Government, the security such principles bring and the risk they off-set will be more than compensated by reductions in other portfolio areas of Government.

The principles we have outlined above reflect the inability of retirees to recover from decisions that affect them adversely and the fact that retirees are frequently unable to change or reverse financial decisions they make at the point of retirement.

Improved Indexation for Retirees on Defined Benefit

TASS requests that defined benefit pensions which are currently indexed by the Consumer Price Index (CPI), become indexed by the better of the CPI and the Pensioner and Beneficiary Living Cost Index (PBLCI) and then benchmarked against the Male Total Average Weekly Earnings (MATWE).

The Commonwealth age pension currently sets the benchmark for retirement income indexation in Australia. It is indexed twice each year by the greater or the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI). It is then 'benchmarked' against a percentage of Male Total Average Weekly Earnings (MTAWE). Such indexation seeks to preserve the purchasing power for those dependent upon the Commonwealth age pension.

However, for retirees on defined benefit pensions the situation is less attractive. Their pensions are usually restricted to annual or six-monthly indexation by the CPI only. It is widely recognised that the manner in which the CPI is calculated does not make it an appropriate measure to accurately assess changes in the living costs faced by older Australians living on a pension. This inadequacy of the CPI has already been accepted by the Commonwealth government in its adoption of a range of measures by which to index the age pension.

For those retirees relying upon the funds accumulated under the Superannuation Guarantee arrangements there is nothing in place to ensure that the purchasing power of their funds is maintained over time.

The inadequacy of indexation arrangements means that retirees, who should be independent of a need to access the Commonwealth age pension, will become eligible for a part age pension to ensure their continued financial and personal well-being as the purchasing power of their pensions is eroded relative to both wages as represented by the MTAWE and the living costs as represented by the PBLCI.

For those retirees already accessing a part Commonwealth age pension the inadequate indexation arrangements means that over time they will become more dependent upon the Commonwealth age pension.

Consequently, inadequate indexation will result in higher age pension expenses for the Commonwealth government.

TASS is a supporter of defined benefit pensions being indexed on the same basis as the Commonwealth age pension. Such a change has been repeatedly rejected by both progressive and conservative governments across Australia at both the Commonwealth and state level.

It can be argued that the age pension is:

- a separate pillar of Australia’s retirement income system compared to income derived from either the superannuation guarantee arrangements or defined benefit schemes;
- an important safety net payment for retirees; and
- an income support payment.

However, TASS would suggest that introducing indexation arrangements for defined benefit pensions along the lines of those applied to the Commonwealth age pension will ensure that the appropriate distinction is maintained between the pillars of Australia’s retirement income system.

Improved indexation arrangements will strengthen the superannuation pillar and reduce the impact on the Commonwealth budget of retirees becoming dependent on additional support via the age pension pillar as they age and the purchasing power of their fund’s declines.

There are also arguments put that improved indexation of defined benefit pensions will increase the cost of providing these pensions for governments. However, it should also be recognised that:

1) access to defined benefit pension arrangements began closing early in the 1990s and were phased out totally by the early 2000s;

2) the reducing value of defined benefit pensions, together with increasing dependence upon the Commonwealth age pension over time increases the administrative costs of managing Commonwealth age pension costs;
3) for those retirees already receiving a full or part Commonwealth age pension 50% of the costs will be recouped via reduced Commonwealth age pension payments;
4) those who are not receiving a Commonwealth age pension payment will pay more than 30% of the improved indexation in tax and medicare levy; and
5) all those retirees receiving an untaxed-source defined benefit pension will return more than 50% of their improved indexation to the Commonwealth government.

This improvement to indexation arrangements being proposed by TASS improves the sustainability of retirement incomes for a large number of retirees and reduces the funding uncertainty for governments as retirees become increasingly dependent upon income from the Commonwealth age pension to support them as they age.

Impact of the *Social Services Legislation Amendment (Defined Benefit Income Streams) Act 2015* on Retirement Incomes

TASS requests that retirees who are members of a contributory defined benefit superannuation scheme, where contributions are paid from after-tax income, should be exempted from the provisions of the Act as referenced by Christian Porter in his statement to Parliament on 8 February 2016.

The *Social Services Legislation Amendment (Defined Benefit Income Streams) Act 2015* (*the Act*) amended the *Social* Security *Act 1991* to place a cap of 10% on the amount of *income* from certain *defined benefit* superannuation schemes that can be excluded from the social security income test, (the "10% cap" legislation).

The Act reduced the retirement income of around 2,000 superannuants in Tasmania. It also affects an estimated 48,000 superannuants Australia wide. We consider that the effect on superannuants in Tasmania can be extrapolated to other superannuants across Australia who are members of contributory defined benefit superannuation schemes.

Our analysis of *the Act* illustrates how the principles we have outlined above can be applied to assess changes to legislation and the impact and unintended consequences such changes have for many retirees, particularly for retirees already existing on very low incomes.

Taking these principles into consideration TASS considers *the Act* should be reconsidered and the negative impact on low income retirees reversed. Indeed, correspondence received from Senator Abetz, a member of Cabinet at the time, clearly indicated that the amendments introduced by *the Act* were not intended to have negative impacts for low income retirees and were focussed on addressing an anomaly within the social security system which gave an unreasonable benefit to retirees in receipt of higher incomes.

During debate in the Australian Parliament on this *Act* it was stated in the Explanatory Memorandum that:

> *"Amendments to the Income Tax Assessment Act 1997 in 2007 resulted in an increase to the tax-free component for some individuals. This had the effect of increasing the deductible*

amount for the purpose of the Social Security Act, resulting in individuals becoming entitled to income support payments, or higher rates of income support.

This Schedule improves fairness and equity by introducing a 10 per cent cap on the defined benefit income, as described above."

The amendments referred to in the above quote were changes made in 2007 as part of the “Simpler Super” reforms. These changes permitted retirees to use the proportion of their service completed prior to 1 July 1983 in determining the tax-free component of their defined benefit pensions. As a result, those pensioners who had had considerable amounts of pre July 1983 service were able to claim a large proportion of their defined benefit pension as tax-free, with that income excluded from the age pension incomes test. As a number of these pensioners were retiring from senior positions and on high incomes the effect of the change was that people with high defined benefit pensions became eligible for a full or part age pension and associated benefits.

The Act sought to remedy this situation and the reference to fairness and equity contained in the Explanatory Memorandum is based on the view that high income earners should not be able to qualify for a part age pension.

It is of substantial concern to TASS that these changes to social security legislation, which have a significant impact on the retirement incomes of many low-income earners, can be based upon such broad and ill-defined statements as appeared in the explanatory memorandum for *the Act* and which failed to give due consideration to the reason the problem occurred in the first place.

In seeking to justify the introduction of *the Act* in May 2015 the, then Minister of Social Services, and now Prime Minister, Scott Morrison described the anomaly as a loophole that was “*allowing 48,000 superannuants on higher incomes … to effectively fly under the radar on the income test for the pension*”. At a press conference he gave the example of a couple with a superannuation stream of $120,000 who had 50% of their income excluded from the age pension income test and who subsequently qualified for a $7,500 part age pension.

However, these statements in support of *the Act* do not seem to be supported by information obtained by TASS through its research. Unfortunately, we have not yet been able to obtain, from Government, the facts about:

- whether this anomaly actually existed in Tasmania, and
- if so, which retirees were affected and to what extent.

We continue to pursue this information, but with little success. We present below that information we have been able to glean.

The Department of Social Security has provided data on the number of superannuants affected by the introduction of *the Act*. This is shown in Table 1 below.

Table 1
Number of Pensioners Affected by the *Social Services Legislation Amendment (Defined Benefit Income Streams) Act 2015*

Annual defined benefit income	Number of affected defined benefit pensioners and partners
< $15,000 pa	10,995
$15,000-$ 19,999 pa	4,438
$20,000-$24,999 pa	4,869
$25,000-$29,999 pa	4,380
$30,000-S34,999 pa	4,117
$35,000-S39,999 pa	4,041
$40,000-S44,999 pa	4,132
S40,000-$44,999 pa	3,591
$45,000-S49,999 pa	2,346
> $50,000 pa	5,029
Total	47,938

This data from the Department of Social Security does not show the financial impact on these pensioners in terms of how much their retirement income would be reduced due to the operation of *the Act*, but it does show quite clearly that over 60% of those pensioners affected by *the Act* are in receipt of superannuation income less than the couple aged pension and only 10.5% of those affected are in receipt of superannuation income in excess of $50,000.

This clearly indicates that those who have had their retirement income reduced by *the Act* are hardly characteristic of what could be described as high-income earners, when the income profile of these 48,000 superannuants are compared to those generally occurring in our society.

In June 2015 RBF undertook its own impact assessment of the effects of the legislation. Its results are shown in Table 2 below.

Table 2
RBF Life pensioners aged 65 to 74
Estimated reduction in age pension entitlements of a couple

Annual RBF life pension	**% of pensioner s**	**Average annual RBF life pension**	**Average per fortnight**	**Average annual reduction**
<$20,000	34%	$11,429	$21	$544
$20,000 to $29,999	18%	$24,611	$63	$1,646
$30,000 to $39,999	17%	$34,912	$101	$2,615
$40,000 to $49,000	13%	$44,544	$137	$3,564
$50,000 to $59,999	10%	$54,316	$178	$4,640
$60,000 to $69,999	4%	$64,339	$224	$5,813
$70,000 +	3%	$92,355	$168	$4,365
Sub-total 65 to 74	**100%**	**$31,204**	**$86**	**$2,242**

Their assessment showed that the proposed changes would primarily impact on members aged 65 to 74. On average 24% of the total RBF life pension paid to members aged 65 to 74 is attributable to tax-free component, which is directly related to the after tax contributions made by those members during their employment with the Tasmanian State Service. Capping the tax-free component to 10%, as proposed under *the Act*, has resulted in the average fortnightly age pension payment reducing by $86 or $2,242 per annum.

Reductions were significantly less for members aged 75 to 84 because the tax-free component of their pensions represents just over 10.10% of the RBF Life pension. This limits the effect of any reduction in age pension entitlements to an average of $20 per fortnight or $528 per annum.

This information highlights the significant impact that the changes have had on the retirement incomes of many Tasmanian retirees. In effect the Act has imposed double taxation upon these retirees as a result of the poor assessment of the "Simpler Super" reforms which led to the anomaly being created. These retirees had already paid a marginal rate of tax of around 32% on their contributions to the scheme, and now face an effective rate of tax of 50% on those same contributions that are in excess of 10% of their defined benefit pension. This is an excessively high tax impost to place upon retirees irrespective of their retirement income level.

In particular the data in the table shows that a couple with a superannuation pension of just $31,205, which is less than the couple rate for the age pension, experienced a 7.2% reduction in their retirement income following the passage of *the Act*.

The Act is clearly not primarily impacting on the 1% of retirees with incomes in excess of $120,000 per annum as indicated during debate on this legislation in the Parliament. It is, in fact, impacting heavily on low income Australians who already face hardship in their retirement and have no ability to change their retirement income decisions in light of this impost.

TASS surveyed its members in October 2017 to obtain data about the effect of *the Act*.

Of the responses received, over 63% had been adversely affected by the legislation. For pensioners with superannuation incomes of:

- under $20,000 pa, the loss of Age Pension was about $1260 pa. This cohort included railway workers, technical officers, nurses, clerks, teachers, and drivers. About half of these had no other source of income.
- between $20,000 and $40,000 pa, the loss of Age Pension was about $1550 pa. This cohort included teachers, technical officers, quarantine officers, nurses, custodial officers, surveyors, clerks, librarians, police officers, welfare officers, and engineers. About 53% of these people had no other source of income.
- between $40,000 and $60,000 pa, the loss of Age Pension was about $1940 pa. This cohort included executive officers, teachers, managers, foresters, clerks, technical officers, police officers, doctors, engineers, health inspectors and surveyors. About 60% of these people had no other source of income.

Understandably, retirees are quite reluctant to share their private income data, but TASS has been fortunate to have a number of pensioners come forward with their own data showing how *the Act* has impacted on them personally. None of these pensioners could be considered wealthy and each has a retirement income that is barely sufficient. This is especially the case since they had made, during their working life, after tax contributions from their income towards their retirement.

The examples are outlined in detail at Appendix 1. What these two examples show is that:

- for a pensioner with a part age pension of $17,290 before the Act came into operation the impact was a reduction in their retirement income of $977 per annum on an income of $29,634; and
- for a pensioner and their spouse with a part age pension of $14,262 before the Act came into operation the impact was a reduction in their retirement income of $1,352 per annum on a total income of $35,688.

The introduction of a 10% limit on the maximum amount that can be deducted by a superannuant, in respect to their personal contributions to their superannuation appears arbitrary.

It does not take into account that for many superannuants such contributions were made from after tax incomes and that there have been no employer contributions included in the tax-free component of their superannuation. In relation to the scheme in Tasmania, the Tasmanian Retirement Benefits Fund have confirmed that there are **no employer contributions** included in the calculation of the tax-free component and that the employee contributions included are **after tax contributions**.

TASS can understand that where the tax-free component of a superannuation pension includes contributions made by an employee before tax or untaxed employer contributions there may be some rationale for a limit.

However, 8 February 2016 the then Minister Christian Porter stated in a reply to a question without notice from Mr Wilkie:

> *"By way of explanation, obviously the member for Denison is well aware that defined benefit schemes at their heart provide a source of income. It is an income payment that comes from the rules of the scheme — the rules of the scheme vary but overwhelmingly defined benefit schemes paid income which reflected years of service and final salary. Most often they were under public sector auspices, and it is obviously important to note for present purposes that if it was one of those very rare schemes that was contributory then there are bases on which the rules that we are about to introduce can be excluded."*

Clearly, based on Minister Porter's comments, *the Act* sought to exclude certain categories of superannuants from the operation of *the Act*, specifically those who were members of those very rare schemes that were contributary, such as the Tasmanian RBF scheme.

However, as shown above, this has not been the case, despite Minister Porter's clear statement to Mr Wilkie.

The Act appears to not recognise that employees make commitments at the point of their retirement which locks in their pension decisions. They are unable to change these decisions as a result of legislative changes imposed by the Government. They are left unable to address the significant loss of retirement income brought about by these decisions. Had *the Act* recognised the extent of after-tax payments made by employees under certain defined benefit schemes there would have been stronger safeguards for those potentially affected pensioners and their after-tax contributions greater than 10% could have been grand-fathered for the purposes of *the Act*.

This Act is a clear case of creating a new problem when seeking to fix an old one. It clearly fails the fairness and equity test it seeks to endorse.

TASS considers that when retirees are faced with such circumstances Governments have an obligation to grandfather the existing situation facing retirees. This is not an unusual arrangement for Governments. In fact, when changes were made to Allocated pensions, grandfathering provisions were included.

It is highly possible that there are many people who did not benefit from the anomaly in 2007, who are now unfairly affected by the 10% cap (and have had their part Age Pension reduced or removed).

It is clear to TASS that the introduction of this legislation has had only a minor impact on the retirement incomes of those who were apparently targeted by *the Act*. It is also clear to TASS that the impact of *the Act* has had a far greater number of unintended consequences and that these consequences have impacted on retirees who already face low incomes.

Had the principles identified by TASS above been applied to this legislation then it is likely that the Parliament would have been far better informed and the debate in the Parliament more robust when assessing the legislation before it. TASS believes, based on the comments from various members of Parliament provided in Hansard, that there would have been considerable opposition to this legislation given its impact on the retirement incomes of many low income Australians.

Conclusion and Summary

While we understand that the primary purpose of the Review is to "establish a fact base of the current retirement income system that will improve understanding of its operation", TASS hopes that the Panel will strongly consider making recommendations on matters needing early consideration by government and that will improve the operation of Australia's retirement income system.

In particular TASS requests that the issues we have raised, which affect recipients of defined benefit superannuation pensions directly, and potentially impact more widely for retirees, receive prompt attention.

These people whom we represent, despite a view to the contrary in some quarters, are not a wealthy group as evidence by the average pension they receive.

The great majority of them are citizens of modest means who have devoted a lifetime to public service and who now experience a standard of living that is declining steadily because of the issues and policies we have raised and the decisions made by governments without due consideration of the actual impacts on retired older Australians.

Appendix 1
Actual Impact of the 10% Rule on Retirement Incomes

TASS members have been very reluctant to share their personal pension information to demonstrate that RBF DB pensioners on low incomes have been affected by the introduction of the 10% rule.

However these two examples below illustrate the actual impact of the 10% rule on two TASS members' DB pension and age pension entitlements before and after the 10% rule has been applied. The names have been withheld due to confidentiality and privacy reasons.

Example 1

Pre 1 Jan 2016 Retirement Income

Total RBF pension	$12,344 pa
RBF Pension (untaxed component)	$8,688 pa
Tax free component	$3,656 pa
Part Age Pension before 1 Jan 2016	$17,290 pa
Total Income	$29,634 pa

Assessable Income for Centrelink purposes was $8,688 (= $12,344 - $3656)

After 1 Jan 2016 Retirement Income

Total RBF pension	$12,344 pa
RBF Pension (untaxed component)	$8,688 pa
Tax free component	$3,656 pa
Part age pension	$16,313 pa
Total Income	$28,657 pa

Assessable Income for Centrelink purposes after 1/1/16 is $11,978pa ($12,344 - $366 (10% of $3,656)

Assessable Income for Centrelink purposes before 1/1/16 was $8,688 pa

Assessable Income for Centrelink has increased by $3,290 pa resulting in a reduction of the Part Age Pension of $977 pa.

Example 2

Pre 1 Jan 2016 Retirement Income

Total RBF pension	$21,426 pa
RBF Pension (untaxed component)	$16,390 pa
Tax free component	$5,036 pa
Part Age Pension before 1 Jan 2016	$14,262 pa
Total Income	$35,688 pa

Assessable Income for Centrelink purposes was $16390 ($21426 - $5036)

After 1 Jan 2016 Retirement Income

Total RBF pension	$21,426 pa
RBF Pension	$16,390 pa
Tax free	$5,036 pa
Part age pension	$13,586 pa
Total Income	$35,012 pa

Assessable Income for Centrelink purposes $20,922 ($21426 -$504)

Assessable Income for Centrelink has increased by $4,532 resulting in a reduction of the Part Age Pension of $676pa. The pensioner's wife's pension was reduced by the same amount ($676pa) so total income has been reduced by $1352pa.