

Commutation (or a partial commutation) of a DB pension is permitted in a number of limited situations.

I consider a relevant circumstance arises where an aged person needs to move into either a low care or high care retirement home. A capital outlay of about \$120,000 is currently required as a government determined charge.

I believe it would be a very positive move to extend the DB (partial) commutation provisions to cover the above situation, eg possibly implemented where direct payment was made to the aged care provider to meet the "standard" charge. The commuted amount would also need to be sufficient to cover any tax obligation on the benefit.

(Whilst the payment could be covered, for example, by sale of the family home this is unreasonable where only one person of a couple needs to move to an aged care facility.)

I accept that allowance for such a payment could be made by initially directing more money into an (accessible) allocated pension or holding a sufficient amount as non-superannuation assets. However for many retirees of even modest means this approach will – unfairly in my opinion - further reduce (or may totally deny them) any entitlement to an Age Pension as determined under the more restrictive 50% Asset Test rule as now applies to DB pensions.

I request that the committee give consideration to this suggestion. I am aware that payment of the "entry charge" is one of the issues which preys on the minds of retirees; any government action that enables them to obtain a part Age pension (and a health card) as well as enable them to meet such a charge in the future, as their health fails, would be welcome.

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