

ACTUARIES INSTITUTE SUPPORTS INCREASE IN PENSION AGE BUT SAYS MORE REFORM REQUIRED

The Actuaries Institute supports the Government's budget decision to increase the pension eligibility age to 70, effective from 2035.

The President of the Actuaries Institute Daniel Smith said: "This decision is an important step in ensuring our pension and health care systems remain sustainable. Without taking action now Australia will be unable to support through fiscal policy the ever increasing number of retirees, particularly as our workforce shrinks over coming years."

Over the next 30 years the Institute estimates that the number of over 65s will double from 3.5 million (15% of the population) to 7 million (22% of the population) and will outnumber the people under 18. Income support for the elderly which is the largest government expenditure is projected to grow from \$40 billion today to \$50 billion in four years, highlighting the fiscal problem that the Government needs to deal with. The increase to age 70 is one of the measures to bring this cost under control. Another measure that the Government has introduced to reduce costs include the changed indexing of the Age Pension to prices not wages from 2017.

Mr Smith said that without a number of further policy changes future governments will find it difficult to provide similar level of benefits to future retirees.

"One of the biggest long-term fiscal challenges is increasing pension costs combined with increasing aged care and health costs. Due to an ageing population, over the next 50 years it is expected that these three areas share of GDP will soar from 7.6% to 13.3% which is clearly unsustainable."

As a result the Actuaries Institute considers further policy reform is required including:

- Gradually increasing the preservation age when people can access superannuation. Ideally this would be no more than three to five years lower than the Age Pension eligibility age.
- Removing impediments that discourage older Australians to work. The Actuaries Institute acknowledges that while it is good public policy to increase Age Pension eligibility, it is essential that this is supported by policies that encourage workforce participation, whilst providing a safety net for those people who can't work until they are 70. The Government has introduced a \$10,000 incentive to businesses to employ Australians over the age of 50 who have been on unemployment benefits or the Disability Support Pension for six months. However, additional retraining and other programs will be required to support the increase in age Pension eligibility.
- Provide incentives for retirees to take their retirement benefits predominantly as an income stream.



- Extending pre-retirement defaults in MySuper to retirees so they benefit from appropriate product selection in both their initial years of retirement and in later life.

"Increased life expectancy is good news. However, without the community and policy makers taking the hard decisions, Australia's pension and health care systems risk a [longevity tsunami](#)," Mr Smith said.

Contact

David Lording P&L Corporate Communications

m 0419 683 411

Ian Pemberton P&L Corporate Communications

m 0402 256 576

Institute of Actuaries of Australia

ABN 69 000 423 656

Level 2, 50 Carrington Street, Sydney NSW 2000, Australia

t +61 (0) 2 9233 3466 **f** +61 (0) 2 9233 3446

actuaries@actuaries.asn.au | www.actuaries.asn.au