Institute of Actuaries of Australia

MEDIA RELEASE

Actuaries disappointed longevity risk ignored again in 2011 Federal Budget

11 May 2011, SYDNEY – The Institute of Actuaries of Australia (the Institute) has today said it was disappointed the pressing issue of longevity risk was largely ignored in the 2011 Federal Budget. The Institute has been urging the government to develop longevity risk policies, including removing barriers to the development of a new generation annuities market, to meet the growing challenges of Australia's ageing population.

Recognising many retirees superannuation will not meet their retirement needs, Institute chief executive Melinda Howes it was time the government took decisive action on this issue.

"We were pleased the Federal Government followed our recommendation and allowed older Australians to boost their standard of living in retirement by working part-time without jeopardising their pension income. From 1 July, age pensioners will be able to earn up to $250 per fortnight before their pension will be impacted by the means test."

Ms Howes said although this positive change was made as part of the Government's workplace participation initiatives, the issue of longevity risk continues to be side-lined when a number of solutions are available. These include allowing development of flexible 'new generation' annuities which protect against the risk of outliving your retirement savings and the market risk of losing superannuation capital in retirement.

"Retirees need access to products that reduce the two major risks they face, market and longevity risk. Innovative annuity products are ideally suited to meet these objectives however a number of legislative impediments are limiting their development," she said.

In its pre-Budget submission, the Institute urged the government amend the Superannuation Industry Supervision Act Regulation 106 as it is unnecessarily prescriptive and as a result is hampering innovation. The unfavourable treatment of annuities under aged care and Centrelink rules should also be reversed and the tax rules on deferred annuities should be changed so that, if taken out in the drawdown phase, the product is regarded as a pension (rather than a non-pension) for tax purposes.

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About the Institute of Actuaries of Australia

As the sole professional body for actuaries in Australia, the Institute of Actuaries of Australia (Institute) represents the interests of its members to Government, the business community and the general public. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance, health financing, and climate change.

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