Actuaries Institute says Budget offers steady hand on super, but wavers on climate

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The Actuaries Institute welcomed tonight's Federal Budget, noting that the government's decision not to make major changes to the superannuation framework further encourages Australians to continue to save for their retirement.

Further reform to superannuation is likely after Federal Treasury completes its review of the key issues in developing a framework for the retirement phase of the superannuation system, by facilitating the introduction of "MyRetirement products", said Institute President Jenny Lyon. Industry has until June 9 to make submissions.

"Overall the Federal Government has continued down the path of encouraging people to save for their own retirement, with few changes this year after major policy announcements in the 2016-17 Budget," Ms Lyon said. "The Institute has argued for reform that makes the system more equitable and sustainable and opposes constant tinkering that undermines confidence in the retirement saving system."

Federal Treasurer Scott Morrison announced that single retirees over age 65 may make a $300,000 non-concessional contribution into super from the sale proceeds of a family home. Both married partners may make a $300,000 contribution (and this is not restricted by the $1.6m pension transfer cap). This will encourage wealthier people to downsize and top-up their superannuation. Other Australians might be deterred due to the loss of Age Pension from means-testing of the capital released by downsizing. The Institute's preference would be to restrict the non-concessional contributions to those with a total superannuation balance of less than $1.6m, as is the case for everyone else.

The Institute welcomes other Budget initiatives including further encouragement toward super fund mergers and a recommendation for a single scheme for dispute resolution for handling complaints.

The Actuaries Institute recognises that climate change is expected to have major environmental, economic and social impacts. It poses a serious risk to the industries that actuaries advise. The Institute is disappointed the government did not announce any significant policy to mitigate against climate change risks, nor did it launch a robust policy framework to fund mitigation and adaptation measures against natural disasters.

"The cost of natural peril to Australia stands at $11 billion per annum, of which only 40 percent is insured," Ms Lyon said. "The Institute is disappointed that the government has not gone ahead with the $200 million per annum disaster resilience fund recommended by the Productivity Commission."

The Institute is not alone in pressing the government to develop policy to address the implications for Australian businesses at risk from climate change. In a speech delivered in February, the Australian Prudential Regulation Authority's Geoff Summerhayes warned Australia's finance sector faces significant risks from the impact of climate change and transition risk as the economy moves towards zero emissions.

The Institute encourages ongoing research and understanding of risks associated with climate change and informing the public debate.

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About the Actuaries Institute
As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. 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 and health financing.

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