Pandemic Strikes Budget: Actuaries Institute

6 October 2020

- **Government introduces new super reforms.**
- **Actuaries welcome increased funding for mental health.**
- **Greater natural disaster resilience measures still needed.**

The Federal Government's 2020-21 Budget, delivered tonight by Treasurer Josh Frydenberg, has underlined the critical impact of COVID-19 on the nation's finances, with important policy reforms deferred pending the outcome of the Royal Commission into Natural Disasters and the Retirement Income Review, according to the Actuaries Institute of Australia.

Actuaries Institute President Hoa Bui said Australia's record Budget deficit is the result of many factors, but key issues include:

- Deficit to hit $213 billion, net debt to hit $703 billion.

- The economy is set to shrink 3.75 per cent this calendar year, then grow 4.25 per cent in 2021.

- The official unemployment rate is now forecast to peak at 8 per cent in the December quarter. It's expected to stay above 6 per cent until mid-2023.

For over two decades superannuation changes have been announced in the Budget. This year is no different, though this year the Government has avoided reforms to super with a large fiscal impact and has instead opted for a number of significant reforms affecting the distribution of superannuation in the 'Your Future, Your Super' package. These reforms seek to address recommendations of the Productivity Commission and include:

- The stapling of existing superannuation accounts to a member to avoid the creation of a new account when they change employment.

- Benchmarking tests by APRA on the net investment performance of MySuper products prohibiting products that have underperformed (over two consecutive annual tests) from receiving new members.

- The development by the ATO of a YourSuper portal enabling employees to compare and select their superannuation product from a list of MySuper products.

The Budget did not extend the temporary early release of super or put a freeze to the SG as many had speculated. However, it did formalise a number of measures previously announced, including the COVID early release scheme and halving of the minimum drawdowns, as well as the deferral of the retirement income covenant to July 2022 so it can be informed by the Retirement Income Review.

The Institute welcomes the Government's decision to increase funding for mental health programs and support, which reflects community needs arising from significantly higher unemployment rates.

The continuing COVID-19 lockdowns following widespread and devastating bushfires, have impacted mental health, suicide, and domestic violence.

The extension of Government support for telehealth, previously announced and locked into the budget, is also commendable. It improves access and affordability in these times of extra need.

"We acknowledge that $20.9 million has been allocated for disaster risk reduction as part of a broader $130.5 million package over five years from 2019-20, to support resilience to disasters triggered by natural hazards," Ms Bui said.

"But we trust that the Royal Commission into National Natural Disaster Arrangements, due to report later this month, will recommend the creation of greater natural disaster resilience measures to combat the escalating economic impacts of climate change," she said.

"Timely investment to mitigate the potential impacts of climate change will protect future Budgets from significant adverse effects."

Institute Chief Executive Elayne Grace said the Government's fiscal response to the pandemic has been effective to date, but the road to recovery will be long and difficult.

"Some reforms will understandably now take longer to develop but the Government should not lose sight of the need to implement policy initiatives in a number of areas to instil resilience and sustainability into the economy," Ms Grace said.

"We do applaud the Government's initiate to support women particularly through initiatives for STEM education measures," Ms Grace concluded.

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