MEDIA NOTE

New Actuaries Institute White Paper gives holistic picture of Australia's Longevity Tsunami

Institute urges immediate tax, superannuation and Age Pension reforms

5 September 2012, SYDNEY – A new White Paper released today by the Actuaries Institute paints a dramatic picture of the demographic, market and regulatory landscape around retirement incomes, emphasising the urgent need for retirement policy reform in the face of Australia's steep and continuous rise in life expectancies.

The paper, '*Australia's Longevity Tsunami – What Should We Do?*' provides holistic actuarial analysis of the Australian retirement incomes system and proposes a number of policy levers available to the government in addressing the problem, including modifying the Age Pension, superannuation and tax systems to ensure a more financially secure future for retirees.

"By 2050, almost a quarter of the population will be aged over 65 compared to 14% now. Australians are already one of the longest lived populations on the planet, and our longevity is steadily improving, with future improvements potentially more rapid.

"Underestimating life expectancy will have major implications for retirement incomes policy, which must take into account individual financial security as well as the economy-wide costs of providing for an aging population," said Actuaries Institute CEO Melinda Howes

The Actuaries Institute White Paper outlines the following reforms for the government's urgent consideration:

1. Providing greater incentives to individuals to take the majority of their retirement benefits as an income stream.
2. Increasing the preservation age to three to five years less than the Age Pension age.
3. Extending the MySuper regime to include post-retirement solutions with "intelligent defaults" that provide retirees with secure income streams.
4. Removing the impediments that discourage older people from working, including age limits on superannuation contributions, the Means Test, introducing an increased Age Pension or a payment for people who continue to work past the Age Pension age.
5. Removing legislative barriers preventing innovation in developing post-retirement income stream products such as annuities.
6. Linking changes in the Age Pension eligibility age to improvements in life expectancy.

"This White Paper highlights the urgency of the situation we are facing – we don't have years to reform the system – the current generation of workers need these solutions now.

The current system doesn't take in to account how old we may live to in the foreseeable future. In fact, rules around the Age Pension and superannuation contributions encourage Australians to retire earlier than they otherwise might. This simply isn't sustainable," said Ms Howes.

"Actuaries are uniquely placed to objectively analyse the retirement income challenge, as the profession assesses risks through long-term analysis, modelling and scenario planning across a wide range of business and regulatory problems," Ms Howes concluded.

A copy of the full White Paper *"Australia's Longevity Tsunami – What Should We Do?"* prepared by the Actuaries Institute is available at:

http://www.actuaries.asn.au/Library/WhitePapers/2012/AI-WP-Longevity-FINALWEB.pdf

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About Actuaries Institute

As the sole professional body for actuaries in Australia, the Actuaries Institute represents the interests of its members to Government, the business community and the general public. Actuaries assess risks through long-term analyses, modeling 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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