

# Actuaries Summit

**Think Differently**



**Actuaries  
Institute**

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# New solutions for new problems

## Ageing, health and retirement like we've never seen before

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# Overview

01



Australia's population ageing

02



Impacts on national productivity

03



Retirement from the workforce and financing this

04



Staying healthy

05



A place to live

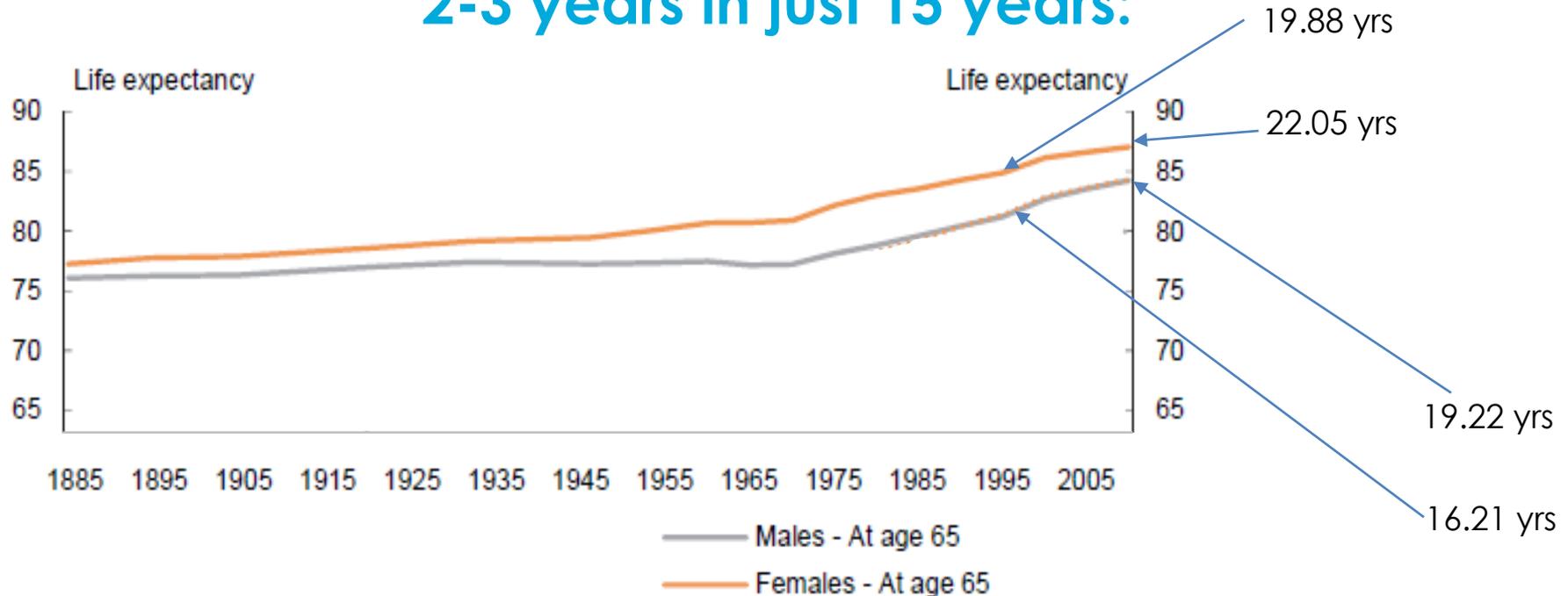
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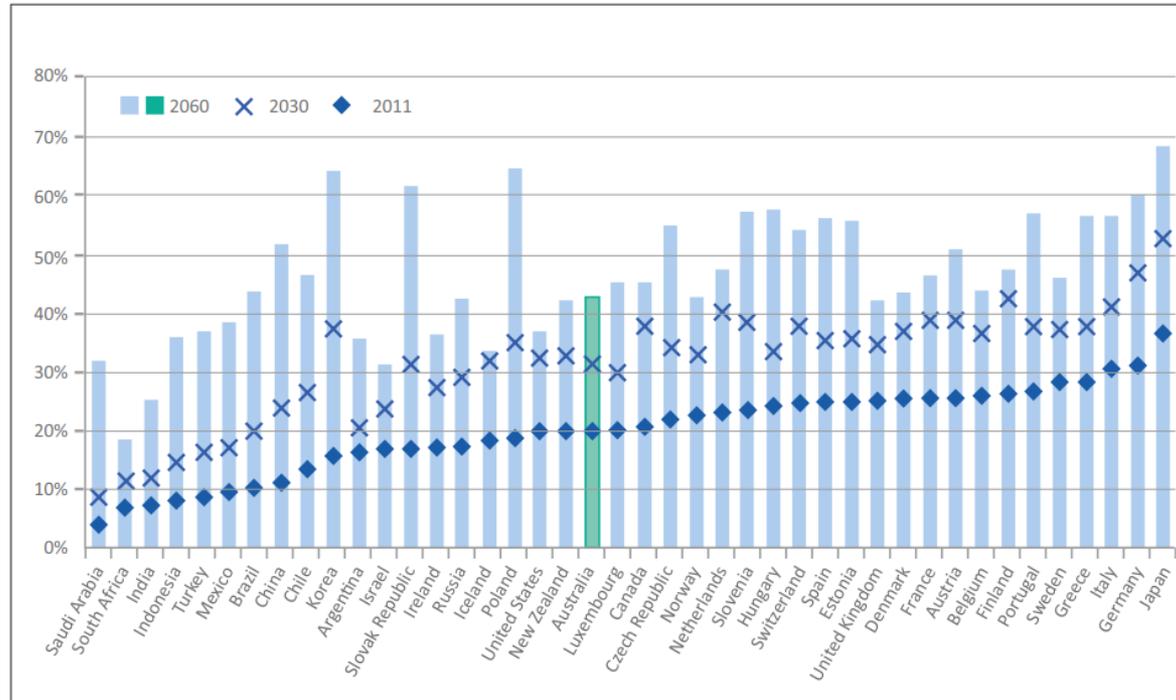
Common themes



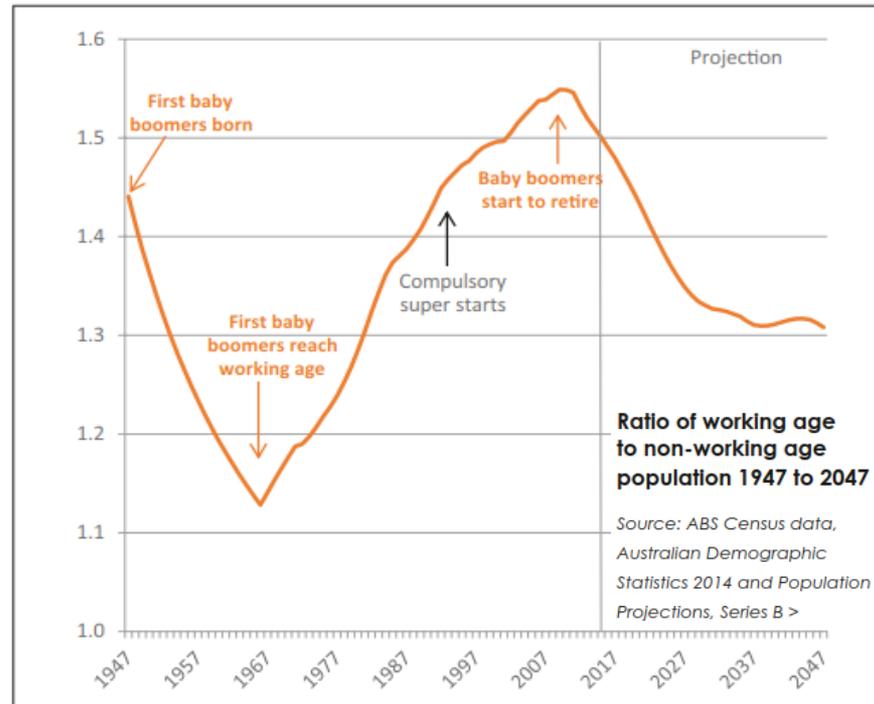
## Australia's Residual Life Expectancy at Age 65 grew 2-3 years in just 15 years:



# Australia's dependency ratio sits in the OECD mid-range ...



# ... and the passage of our baby-boomers through life is having a big effect





02



Impacts on national  
productivity

The first question:

**WHERE DOES THE MONEY COME FROM?**

# The problem starts with the economy, not financing or services delivery



National Income :    Population \* Participation \* Productivity

A strong economy is an integral part of  
financing an ageing population

# Policies to increase the participation rate have a significant effect on GDP

## Economic benefit in 2024-25 of additional mature age participation

	\$bn (2009-10)	% GDP
<b>Expected increases</b>	55.0	2.7
<b>Additional 3%</b>	33.0	1.6
<b>Additional 5%</b>	47.9	2.4

Source: Deloitte Access Economics

Australian policies currently include:

- Increasing retirement age for government aged pension
- Transition to retirement finances – “there is no standard retirement age in Australia”
- Encouragement of the commercial benefits of diversity
- Anti-discrimination on age grounds
- Migration
- Childcare support for women to get back to work (non-ageing but relevant)



03



Retirement from the workforce  
and financing this

Retirement funding:

**ESTABLISHED POLICIES NEARING FRUITION**

# Australia's retirement financing system

## Three Pillars

**1. Compulsory superannuation contributions 9.5% rising to 12% by 2025**

**2. Additional voluntary contributions partially tax-advantaged**

**3. Government Age Pension (means-tested)**

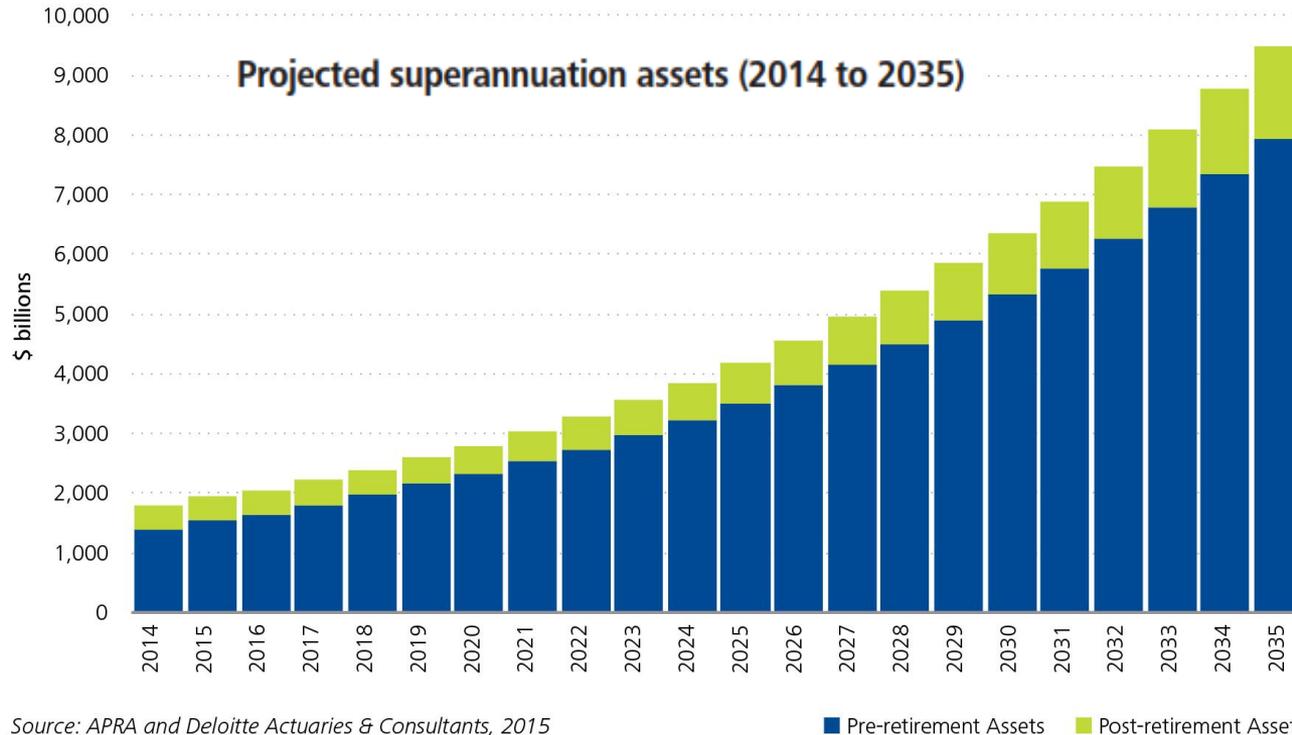
## Strengths

- Funding
- Universality
- Competing Models

## Weaknesses

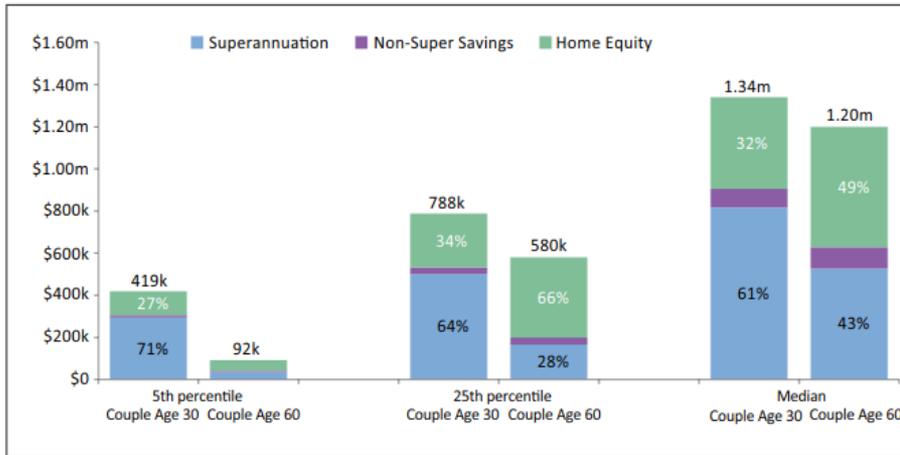
- Longevity risk not eradicated
- Level of income
- Lack of flexibility
- Lack of diversity and choice
- Inefficiency
- Complex

# The savings phase of Australia's superannuation is progressing well ...



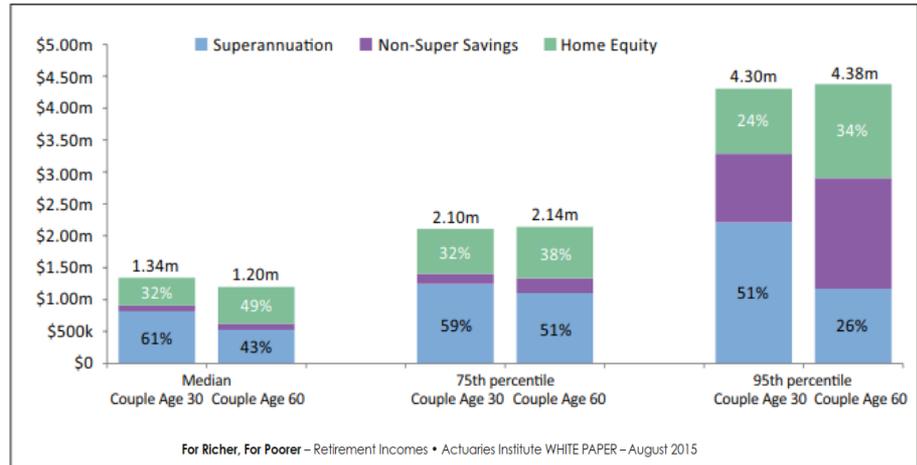
# ... making a significant impact on peoples' retirement wealth in most segments ...

Projected wealth at age 65 (current dollars) – couples of median wealth and below



For Richer, For Poorer – Retirement Incomes • Actuaries Institute WHITE PAPER – August 2015

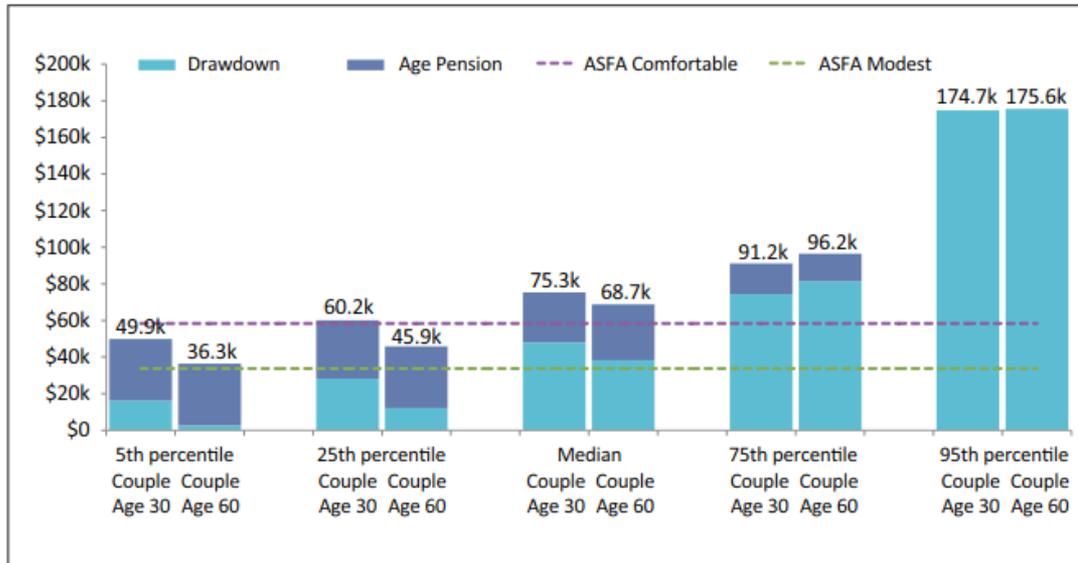
Projected wealth at age 65 (current dollars) – couples of median wealth and above



For Richer, For Poorer – Retirement Incomes • Actuaries Institute WHITE PAPER – August 2015

# ... but the jury is still out on whether the disbursement phase is effective enough

Estimated annual income to life expectancy (current dollars) - couples



For Richer, For Poorer – Retirement Incomes • Actuaries Institute WHITE PAPER – August 2015



- ? Adequacy of benefits
- ? Variability of benefits in a DC world
- ? Subsectors not well served – career interruptions, split couples
- ? “income to life expectancy” ???

There is also significant wealth locked up in housing  
- and we don't yet have a systemic way to deploy  
this into paying for our aged

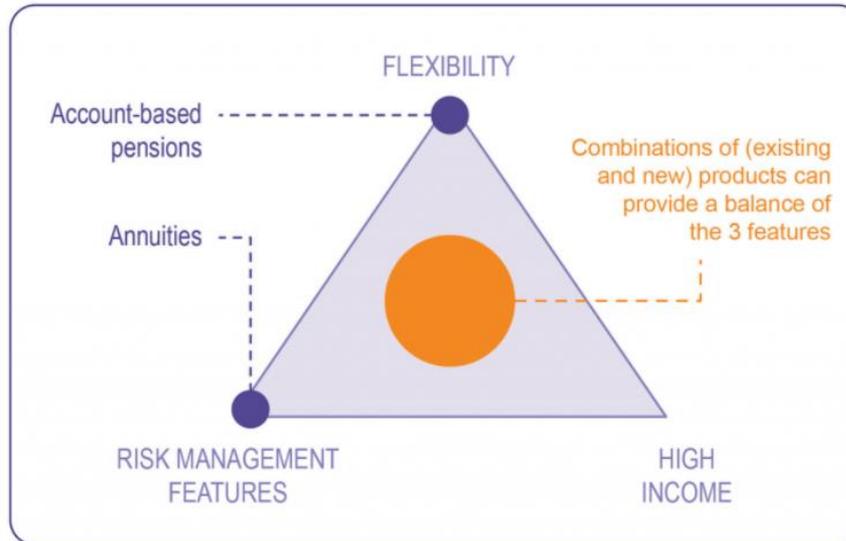


Home value and  
disposable income by  
age 2009-10

# The fundamental policy of compulsory contributions stays firm; but the details are constantly under review



# Towards a Comprehensive Income Product for Retirement – the search is on



Source: Treasury consultation

- Increase standard of living
- Increase availability and choice of products
- Increase the efficiency of the superannuation system
- Easier transition to retirement



04

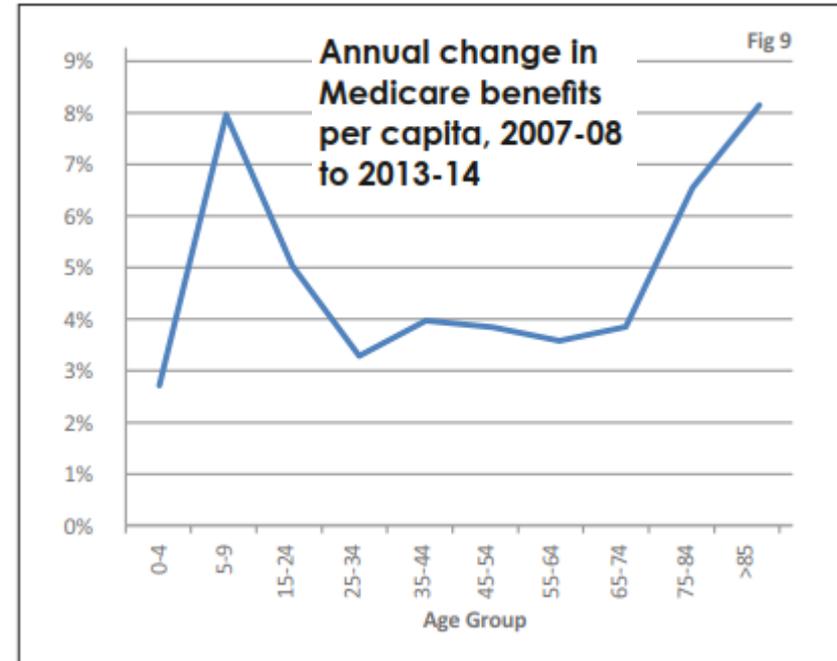
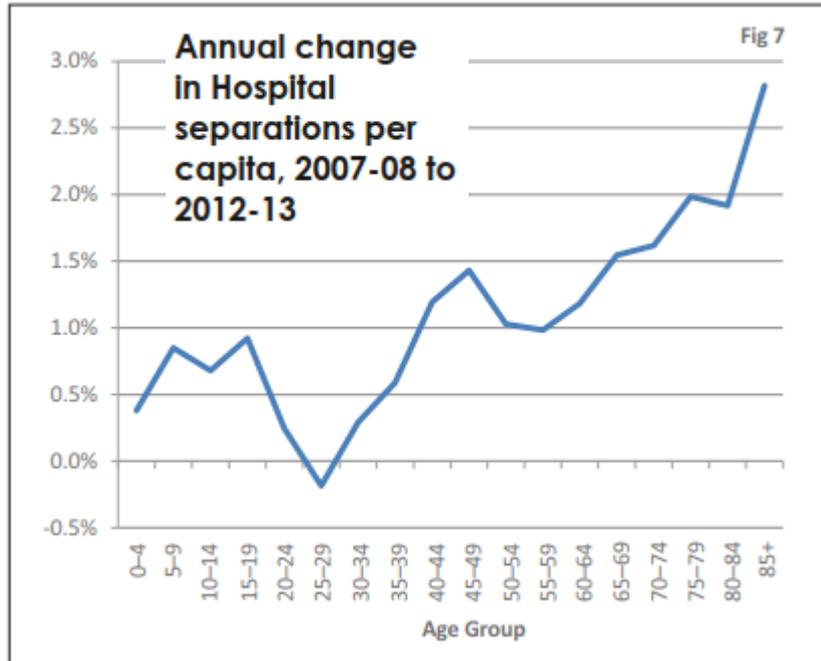


Staying healthy

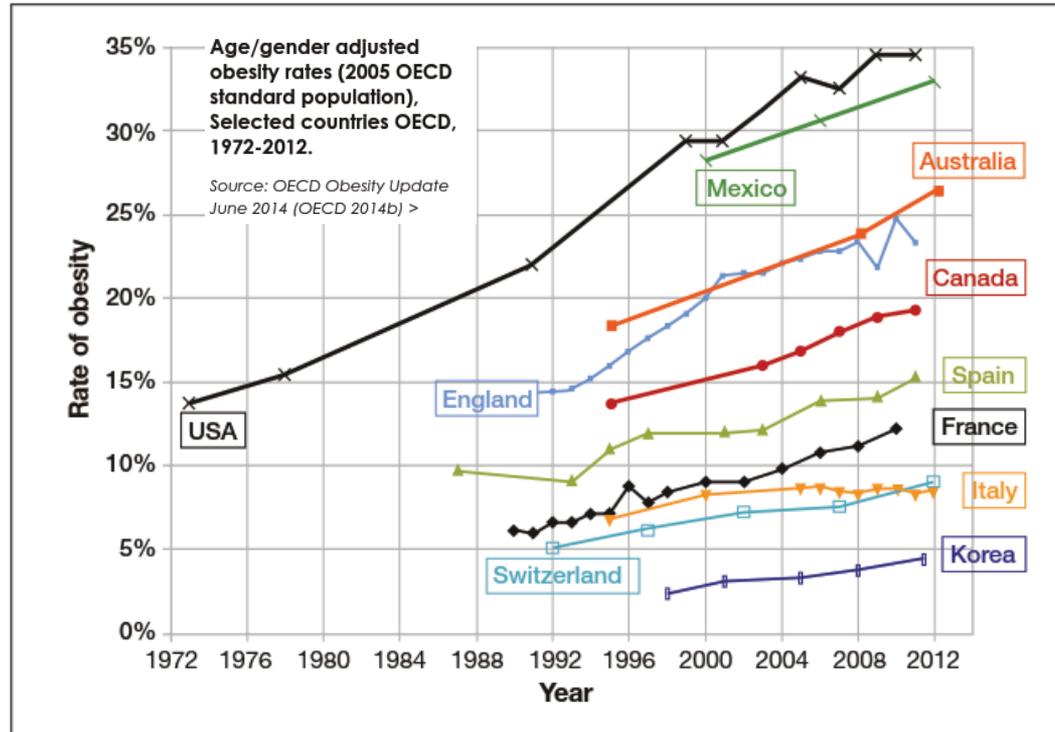
Health:

# AN UNSOLVED RESOURCING AND FUNDING PROBLEM

# Not just more older people, but more services per old person



# Our growth of chronic diseases suggests that health costs in old age will be compounded





# We need a basket of solutions

At 10% of GDP our health expenditure is not crippling; but consumer and taxpayer resistance to *increases* is strong.

Solutions needed in process, understanding, planning, and mindset

- Efficiency and best practice
- Harnessing technology
- Quality of care – integrated and patient-centred
- Data availability – shared across sources, longitudinal
- Prefunding this predictable need
- Personal responsibility to maximise health – e.g. chronic exposures
- Acceptance of our choice to buy more “health” as a legitimate priority

These must come (and are coming) come from both the government policy and funding areas, and the private sector/consumer markets.



05



A place to live

Aged Care:

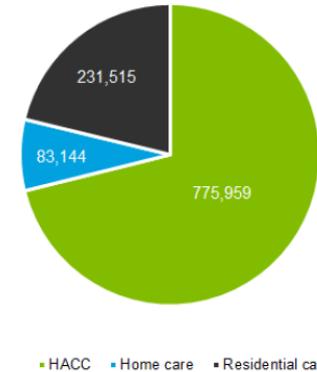
**INCREASING ATTENTION TO INDIVIDUALS'  
OWN NEEDS**

# Australia's aged care industry – a snapshot

Australia's Aged Care Industry



Consumers of aged care by service type, 2013-14



Supply of aged care in Australia by service type, 2013-14

	HACC	Home care	Residential care	Other
<b>Number of providers</b>	1,676	504	1,016	-
<b>Number of places</b>	775,959	66,149	189,283	-
<b>Commonwealth funding</b>	\$1,701m	\$1,271m	\$9,814m	\$1,379m
<b>Total revenue</b>	\$1.8b	\$1.3b	\$14.8b	-

Note: Some providers offer more than one type of service, and are therefore included in more than one category.

Source: ACFA, 2015.

# Towards needs-based and consumer-driven care: - funding based on ADLs

Ten areas where Activities of Daily Living (ADLs) are monitored and measured:

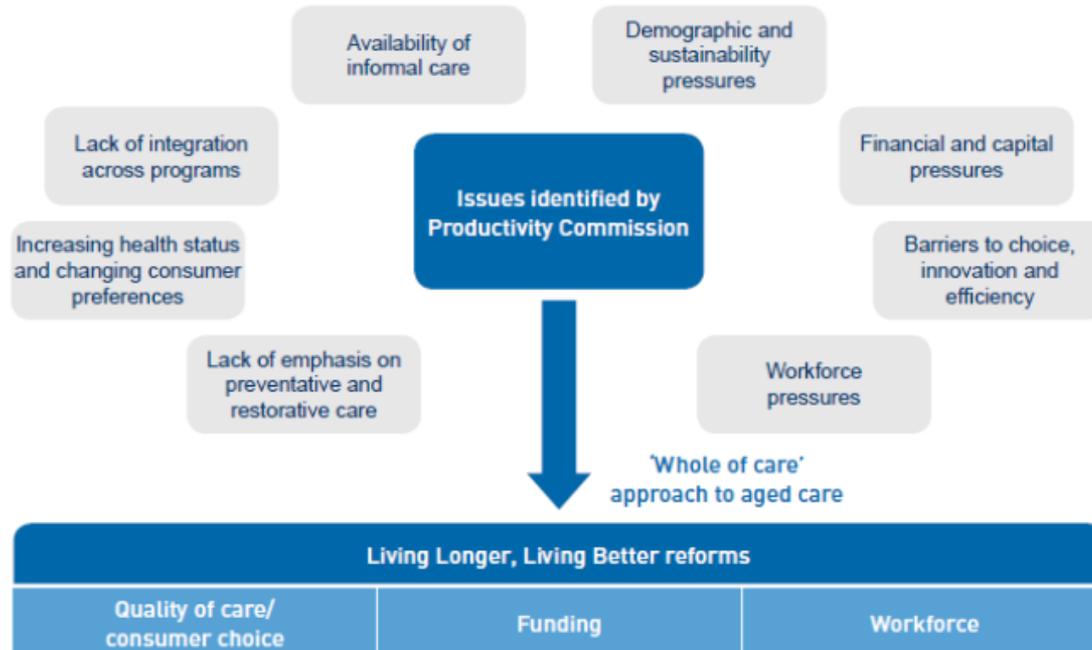
- Nutrition
- Mobility
- Personal hygiene
- Toileting
- Continence
- Cognitive skills
- Wandering
- Verbal behaviour
- Physical behaviour
- Depression

Leads to 64 classifications for payment and associated services – based on individual needs

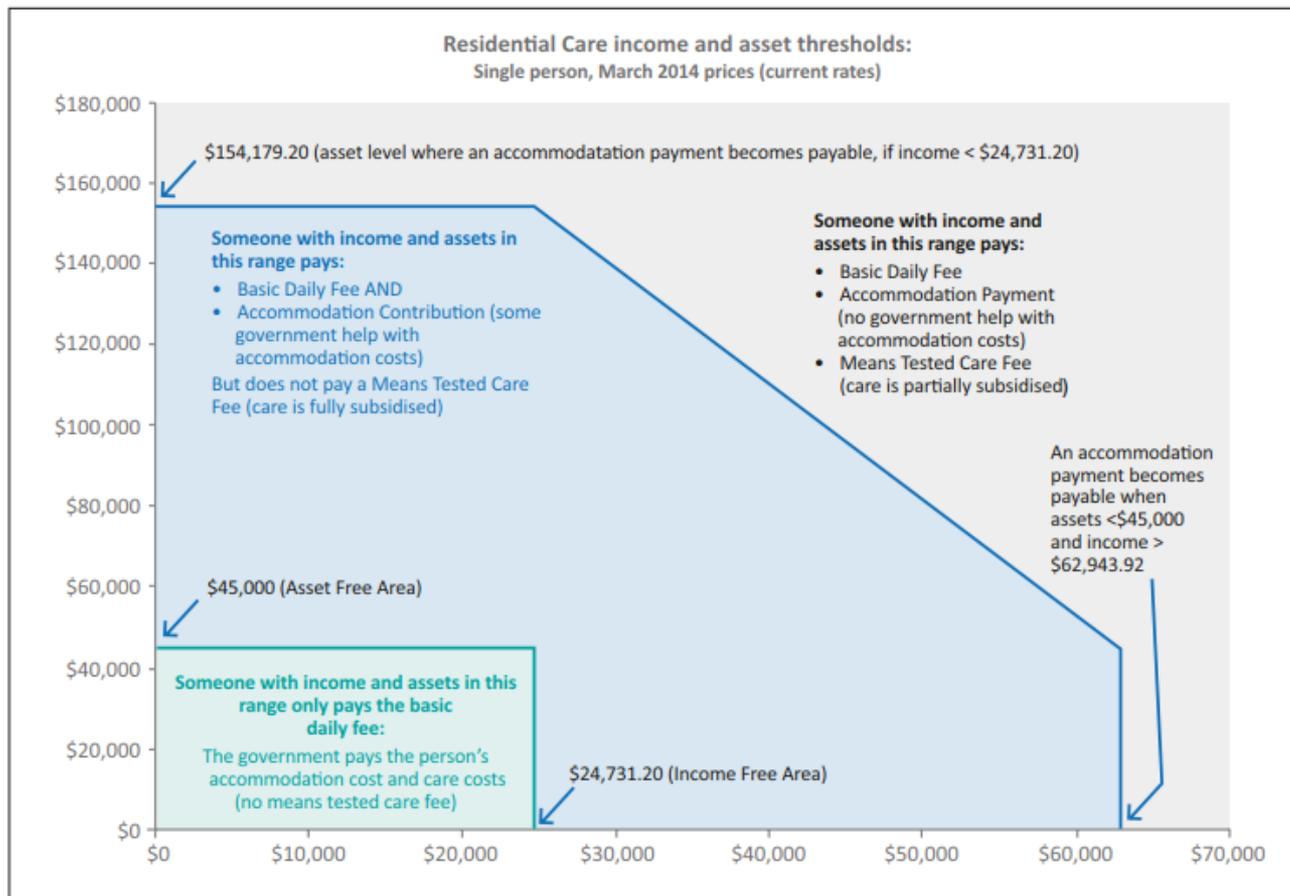
Introduced 2007; updated 2013; replaced a “per diem”-style system

# Further aged care reform – Care needs, finance needs, consumer-driven approach

## Living Longer, Living Better framework



# Targeted government support – assets and income tests





06



Common themes

Three different sectors:

**BUT SOME COMMON THEMES EMERGE**

## For markets:

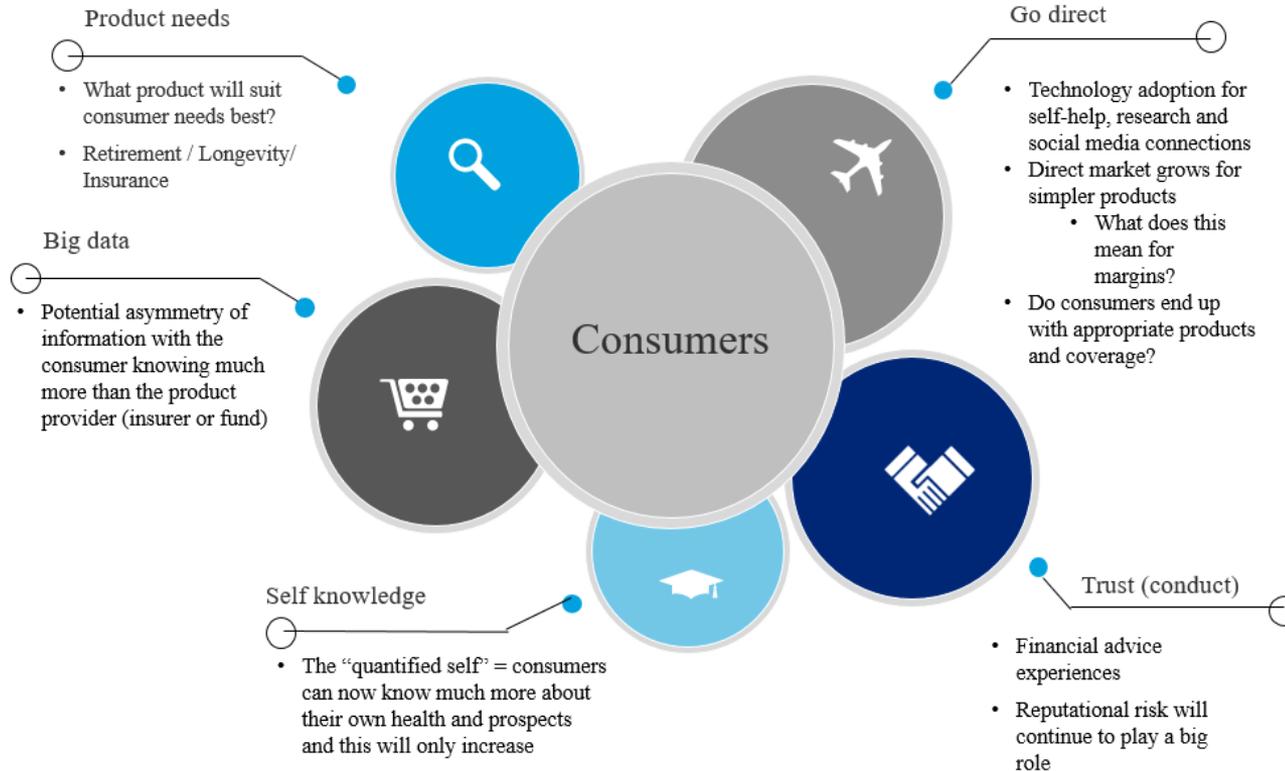
A fabulous prospective consumer market...

with unfulfilled needs and desires...

but with complexity for providers in communicating and providing access to solutions...

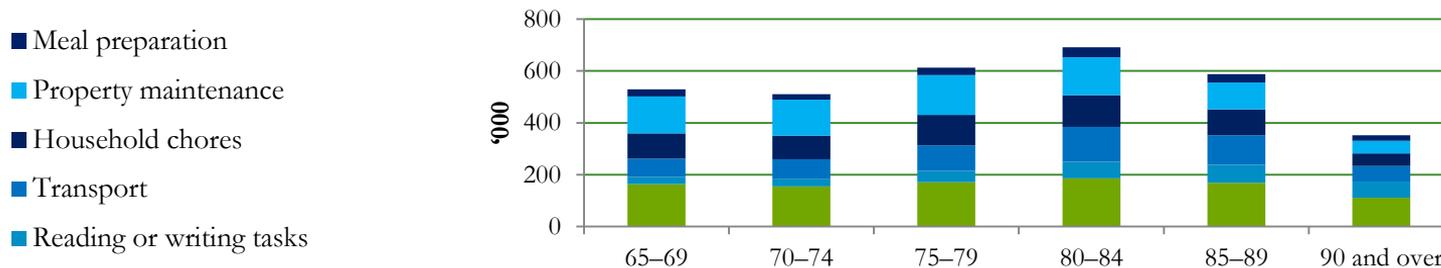
and a need to understand the individual much better and deal with them in a way they want us to.

# Markets are tracking and responding to changes in consumer retirement behaviour ...

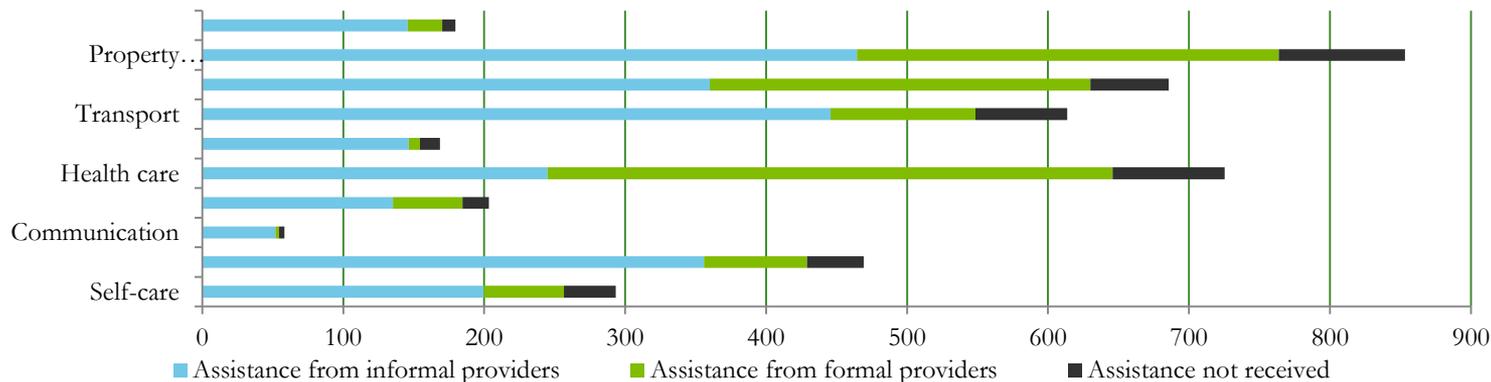


# For each sector: targeted services because data is now useable

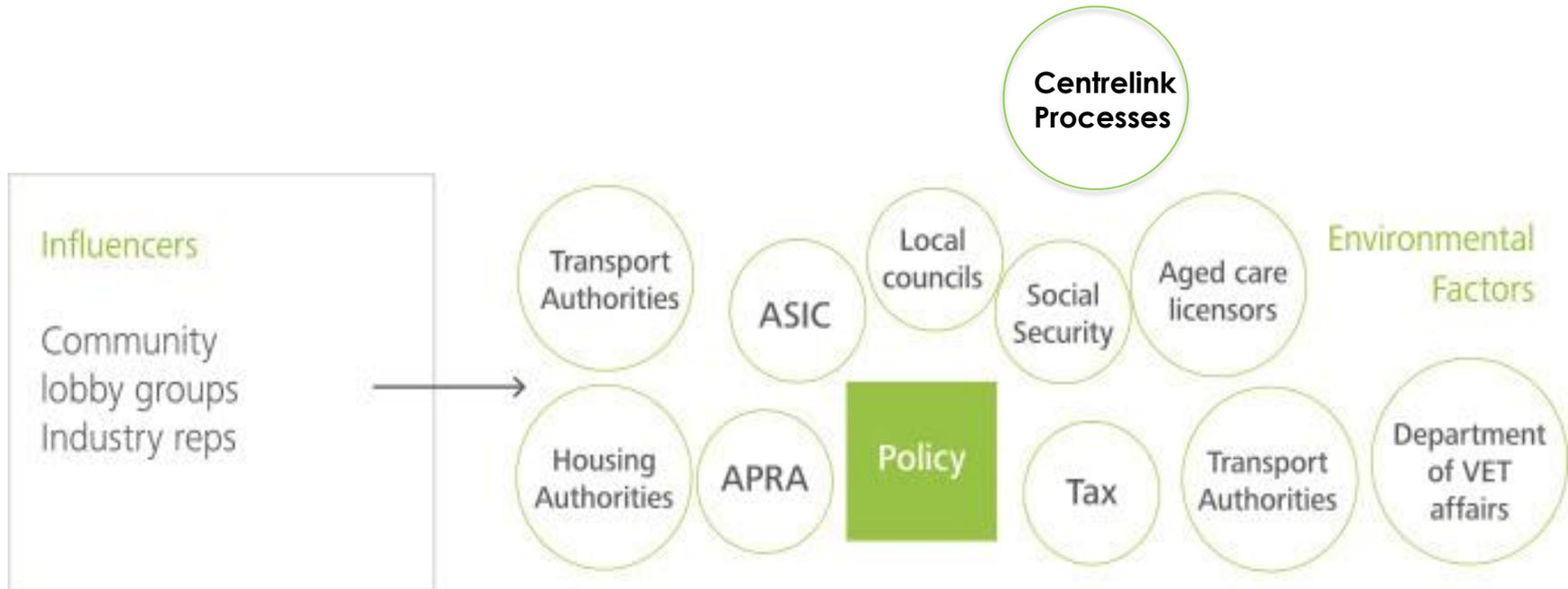
Need for assistance > 65 years (ABS 2013)



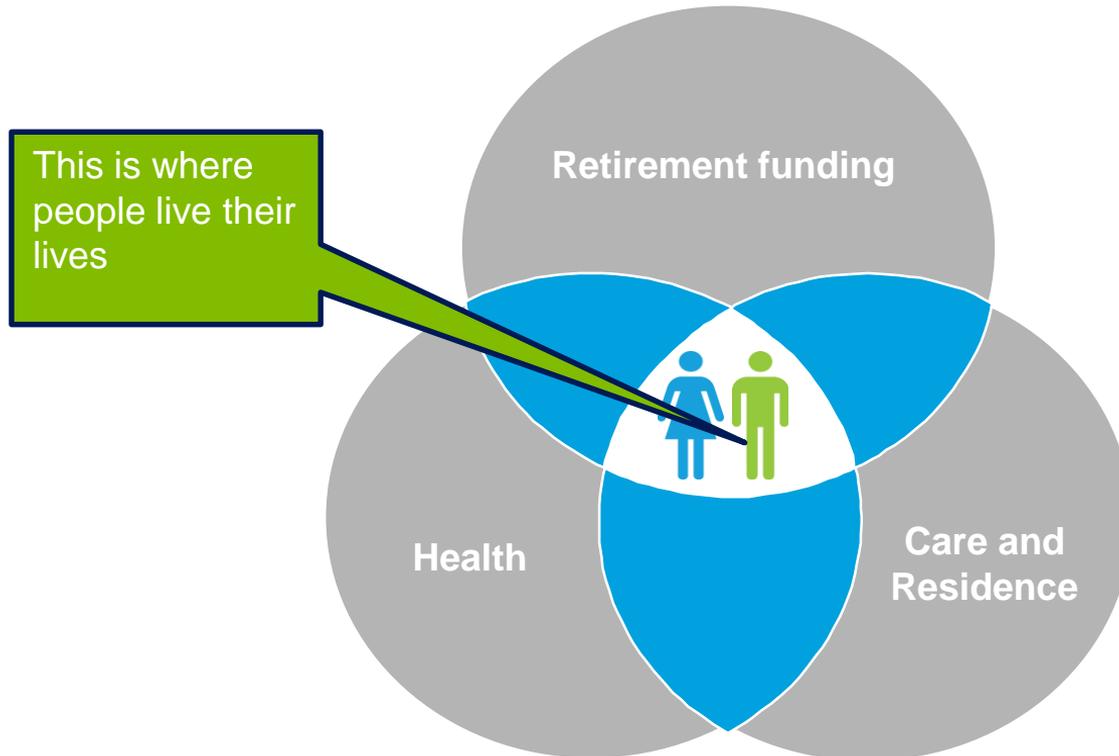
How assistance needs are met



# ... But it's a highly complex system for retirees to navigate



# These sectors cannot be separated



# Themes

- The need to coordinate across sectors
- Consumer-driven choices, optimising the system by targeting each individuals' own needs
- Data, and the abilities that the new data insights unleash
- Public / private partnership – effective combinations of government policy, funding, environment definition; with private sector markets, consumer focus, service development, business management

## And for actuaries?

All these sectors have issues where actuarial approaches are valuable ...

... but assisting clients to make the necessary changes requires an understanding of the big picture ...

... and specialising in only one traditional area means you miss the integrated customer view

# References

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"Australia's Aged Care Sector: Economic contribution and future directions" –  
*Deloitte Access Economics*

"Increasing participation among older workers" – *Deloitte Access Economics*

"Dynamics of the Australian Superannuation System 2015-35" – *Deloitte Actuaries  
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"For richer for poorer; retirement incomes" – *Australian Actuaries Institute*