



Institute of Actuaries of Australia

# 5th Financial Services Forum

*Renovating the Financial System*

# 2010

13 and 14 May 2010 – SYDNEY

## **SEBPC UPDATE – HENRY, COOPER, RIPOLL, JOHNSON, THE BUDGET & THE REST**

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## HENRY REPORT/GOVT RESPONSE

- SG to 12% (2013-2019) and to age 75
  - DB design, benefit certificates from 2013
- Max \$500 Govt cont if income to \$37k
  - Refund 15% tax on up to \$3,333 of conts
- Extension of \$50k limit for over 50's
  - Only if 'super balance' < \$500k
  - Reporting, DB 'balance' issues
  - Concerns re gaming, adequacy of \$500k



## HENRY REPORT/GOVT RESPONSE

- Many changes ruled out including:
  - Removing tax free super for over 60s
  - Reducing indexation of the Age Pension
  - Aligning preservation age to Age Pension age
  - A Government annuity
- Next on the ‘consider’ list
  - Simplifying tax time
  - Improving incentives to save

## HENRY REPORT: NOT RULED OUT

- Super conts included in personal income with flat rebate
- Fund tax zero on conts, 7.5% on investment income INCL pensions
  - DB funding impacts lump sums/pensions
- 40% disc on personal savings income
  - Concern if do this without reducing super tax
- Help develop longevity market

# RIPOLL FINANCIAL SERVICES INQUIRY

- Financial Advice Reform Package
  - Ban on conflicted remuneration structures
  - Duty to act in clients' best interests
  - New 'advisor charging' regime
  - Accountants' SMSF exemption removed

## SUBMISSION ON NTC ISSUES

- Still many Notional Taxed Conts issues
  - **Grandfathering rules:** successor transfer gaps; retrospective loss issue; regaining rules
  - **Determination of W, X, Y, Z** (additional NTCs): agree principles and re-write regs
  - **Integrity issues:** augmentation on retrenchment; WXYZ in cap; allocations to accum benefits
  - **Other:** DBs tied to accum conts; target benefits; non-accruing pension rules; anti-detriment



# COOPER SUPER SYSTEM REVIEW

- SuperStream
- MySuper/Choice architecture
  - Single diversified investment portfolio
  - Restricted fees and services
  - Must provide retirement benefit forecasts and a post-retirement product
  - Pure defined benefits excluded
  - Insurance must be voluntary
- SMSF report

## COOPER – IAA Submissions

- Governance – APRA powers, FCRs
- Efficiency – Fees and costs disclosure, scale, liquidity issues
- Structure – DB funding standards and current SIS framework, DB problem areas, insurance/self-insurance, Annuities, FCRs





## 2010 FEDERAL BUDGET

- 50% tax discount on interest to \$1,000
- Co-contras matching rate fixed at 100%
- FHSA's made more attractive
- Some other minor but important fixes
- But no moves to help develop longevity products
- Also....



## RESPONSE TO JOHNSON REPORT

- Australia as a Financial Centre
- Centre for International Finance and Regulation
- Investment Manager Regime
- Managed Investment Trusts Regime
- Interest withholding tax changes
- Deepen corporate bond market



## OTHER

- Deductibility of TPD premiums
  - ‘disability’ definition issue
  - Proposed status quo until 30 June 2011
  - Needs permanent fix
- Anti-detriment
- Benefit certificates for pure accums
- Replacement of Prof Standards/GNs
- IAS19 proposed changes