



Significant windfall should encourage Government to tackle long-term policy challenges

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The Federal Government's 2019-20 Budget has delivered the first surplus since 2008, following higher-than expected tax receipts over the last two years.

Tax receipts have grown strongly, mainly from a strong economy (high employment) and unexpectedly high mining revenues.

"The government has balanced the budget using these receipts for new expenditure on short-term stimulus programs and longer-term fixed spending, both of which will deliver a boost to Australia's economy, whilst holding back enough for a strong surplus," said Nicolette Rubinsztein, President of the Actuaries Institute.

"It is a Budget that will please many people because it delivers extra funds to help consumers meet the costs of rising power and hands out tax cuts that will stimulate business investment and economic growth, when there's some ambiguity around where the economy is heading," Ms Rubinsztein said.

"The optimistic figures for GDP growth suggest a strong economy for the foreseeable future," she noted. "However, the dependence on commodity prices and full employment represents a risk if there is a global downturn."

On superannuation, an area of actuarial expertise, Ms Rubinsztein welcomed the absence of any material changes to superannuation policy, after many years of major changes.

The Institute also supports an increase in the concessional and non-concessional age to 67 in line with the pension age for those not meeting the work test.

Ms Rubinsztein noted that although Age Pension expenditure is forecast to grow by 17% for the four years to 2022-23 to \$54.8 billion, over the same period Aged Care support will grow by 27% to \$23.9 billion. The drag of Age Pension expenditure is tempered by tighter means-testing. However, Aged Care costs strongly grow as Australia's population ages.

Actuaries Institute Chief Executive Officer, Ms Elayne Grace, said the Institute also supports extra funding for regulators announced prior to the Budget but tabled tonight.

"More funding for APRA and ASIC means there will be better outcomes for Australian consumers in their dealings with financial institutions," Ms Grace said. "More resources should help the regulators enforce some of the 76 recommendations following Kenneth Hayne's Royal Commission into financial services."

Ms Grace also welcomed additional funding for suicide prevention and national mental health initiatives. As noted in the Actuaries Institute's 2017 Mental Health and Insurance Green Paper,



some improvements could be readily achievable and others require a longer-term commitment.

Ms Grace also said the Government needs to do more to ensure that government spending is supported by strong underlying public policy and meaningful reform, targeting community sectors in greatest need.

"We support the fact that some of the short-term spending is temporary. But we would like to see clear long-term policy goals around climate, retirement, savings and health.

"The Institute was disappointed that there were no additional measures announced in the budget tonight to mitigate climate change or to improve the nation's general resilience against natural disasters," Ms Grace said.

Measures reported in the budget include the \$2 billion Climate Solutions Fund (mostly a relaunch of the former Emissions Reduction Fund) and a Future Drought Fund (funded by the former Building Australia Fund).

"As called for in the Institute's pre-budget submission, we urge the Government to develop policies to improve resilience and to fund mitigation and adaptation measures supported by comprehensive cost-benefit analyses. Timely investment to mitigate the potential impacts of climate change will protect future budgets from significant adverse effects to the revenue."

The Institute commends the Government's commitment to education, with extra funding to improve student outcomes in literacy, numeracy and digital skills. The government has also provided funds to specifically address gender inequity in STEM. Ms Rubinsztein, a strong advocate for girls committing to STEM subjects, believes even more can be done, which would result in a more robust and equitable Australian economy.

For media inquiries please contact:

Michelle Innis P&L Corporate Communications
m +61(0) 414 999 693
p +61(0) 2 9231 5411

Ian Pemberton P&L Corporate Communications
m +61(0) 402 256 576
p +61(0) 2 9231 5411

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