

## IGR provides no evidence for Government to lift 'retirement age' to 70 years

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The Australian Institute of Superannuation Trustees (AIST) has called on the Government to review its proposal to lift the Age Pension eligibility age to 70 by 2035, following Intergenerational Report (IGR) projections that show future pension costs in our ageing population are manageable in existing policy settings.

AIST CEO Tom Garcia said that previous moves to increase the Age Pension eligibility age to 67 sufficiently reduced long-term pressure on the budget and were an adequate response to the long-term cost of demographic changes, in particular the ageing population.

"Raising the retirement age is a very blunt tool that will hurt a lot of involuntary retirees who - for all sorts of legitimate reasons - cannot work longer," Mr Garcia said. "The IGR shows that there is no need to panic. Increasingly productivity, higher labour force participation, a maturing superannuation system and a sustainable Age Pension system will all contribute to building a stronger Australia."

Under the current scenario of a retirement age increasing from 65 to 67 over time, Government expenditure on age and service pensions is projected to rise from 2.9% of GDP today to 3.6% in 2055. This is much lower than almost every other OECD economy.

However, Mr Garcia said there was still a case to bring forward the timetable\* to lift the compulsory superannuation rate from 9.5% to 12%, which has been pushed out to 2025.

"The longer we wait for the Super Guarantee to rise from 9.5% to 12%, the longer we wait for super to do more of the heavy lifting in providing retirement incomes," said Mr Garcia. "Investing in super today, is an investment in future budget savings because there will be less retirees requiring the Age Pension".

Mr Garcia said the report confirmed that it would be several decades before Australia's super system was fully mature, reinforcing the heavy lifting role the Age Pension plays in providing or topping up retirement income for most Australians.

"This report confirms that super and the Age Pension will be working in tandem for decades to come," Mr Garcia said.

Mr Garcia said the IGR report also highlighted the need for bi-partisan agreement on the objectives of super. "Given the increasing role of super in the retirement incomes of many Australians, it is more important than ever to make sure our system is fair and sustainable, particularly in regards to superannuation tax concessions."

*\*The superannuation guarantee is set to reach 12% by 2025, a delay of six years on the previous government's proposed timeline. This delay is estimated to cost average Australians up to more than \$30,000 in today's dollars.*

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**AIST is the peak industry body for the \$650 billion not-for-profit super sector which includes industry, corporate and public sector funds.**