

15. My Longevity Pty Limited

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Question 1:

Access to reliable and relevant information is an additional requirement.

Our experience is that most people, including many professionals, have a low awareness of how increasing longevity will increasingly affect the community and individuals. Even the Government Actuary acknowledges it does not provide the most useful longevity data especially for individuals.

For people to be able to make properly informed decisions relating to their longevity, they must have reliable and relevant personal longevity information and be able to seek advice from adequately trained professionals. Neither of these essential requirements are currently available to most people.

Question 2:

A proper answer to this question relies on a comparison of the remaining life expectancies and other circumstances of veterans with those of the general population receiving and expected to receive the Age Pension. Without this data it is likely to be inappropriate to increase pensions for such different population groups in the same way. Pensions should be needs based not age based. Otherwise they may become unaffordable for the community as a whole.

The recent IMF Report on Global Stability (April 2012) in Chapter 4 notes major mismatches between actuarial projections and actual outcomes for longevity. It illustrates how governments and other entities have continued to significantly underestimate the impact of longevity on long term commitments such as the Age Pension. This Chapter is of fundamental significance to many of the subsequent questions in this issues paper. The Chapter can be downloaded at the following link. Reading this Chapter carefully and understanding its implications for Australia should be a requirement for those in the ALRC seeking to identify appropriate answers to the questions in the issues paper. It will be referred to in subsequent answers as IMFC4.

The link to the IMF Chapter is <http://www.imf.org/external/pubs/ft/gfsr/2012/01/pdf/c4.pdf>.

Question 3:

The means test should include reference to the ability to find a paid job and also to whether the applicant is disabled. Currently some 90% of all applicants for the Age Pension are said to be on either a Disability or Unemployment benefit so this additional requirement should in theory not require much additional administration.

Such an approach would highlight to individuals that to be affordable for the community, such government support must in the future be based on demonstrated need not merely entitlement through age.

Such an approach will be increasingly necessary to enable the community to support older people in genuine need. It would also be consistent with an approach that required people to be self-sufficient to the maximum possible degree while still having the comfort of a government safety net if required. A needs-based rather than an age-based approach would also require a more realistic assessment of the value to the community of paid and unpaid work (such as caring) by older members of the community.

Question 4:

Under the principles above (Q3), those who can do paid work should be encouraged to do so.

If access to the Pension was based on both need and capability, there would be an automatic incentive to work while it is possible.

Other disincentives to paid work need also to be addressed (access to superannuation etc).

Question 5:

No comment

Question 6:

See Q3. Access to the Age Pension should over time become more needs based than age based. Tax system anomalies based on age rather than needs should be modified so as to harmonise with any changes to Age Pension entitlements.

Question 7:

No comment

Question 8:

The Mature Age Worker offset should be increased in value to reflect the importance of people remaining longer in paid work where possible.

Question 9:

The simplistic use of age as a criterion should be phased out as far as possible and replaced with needs based and value based criteria.

It is well recognised that individual differences increase with increasing longevity (ie, with remaining lifespan).

Tax laws need to better acknowledge better both the personal and community benefits of ageing and the costs. This means much better coordination of the tax system with the costs (and benefits) of health management and healthcare and the approach to superannuation (both accumulation and de-accumulation).

While these basic factors remain separately administered there will be constant mismatching and increasing unfairness as is already occurring.

Question 10:

There should be no discrimination relating to age.

Question 11:

As mentioned in Q9, it is misleadingly simplistic to use mere age as a basis for any discrimination in superannuation. Remaining life expectancy (longevity) should be used. As shown in IMFC4, this metric increases over time in the community and would allow automatic indexation even if only community averages were used.

It would be even more realistic if the Australian Bureau of Statistics provided cohort-based remaining life expectancies for a cohort more typical of those expecting to work at higher ages (which would tend to exclude people entitled to Age, Disability or Unemployment benefits).

Question 12:

See Q11

Question 13:

See Q11

Question 14:

See Q11

Question 15:

See Q11

Question 16:

See Q11.

Question 17:

See Q 11 for better principles

Question 18:

No Comment

Question 19:

Benefits which are purely age related for access should be reviewed, consistent with Q11.

Question 20:

See Q11

Question 21:

Many people need third party advice to make sense of these entitlements.

Question 22:

These should be regularly reviewed and updated to reflect ongoing changes in longevity knowledge. Every effort should be made to phase out age as a criterion and substitute it with a capability basis. Such changes need to be accompanied by incentives which encourage people who maintain their capability for productive work. For example, rewards for maintaining adequate health and fitness.

Question 23:

See Q22

Question 24:

See Q22

Question 25:

No Comment

Question 26:

No Comment

Question 27:

Age-based access to concessions should be replaced where more relevant criteria can be used. At the very least they should be indexed. See Q11

Question 28:

No comment

Question 29:

No comment

Question 30:

No comment

Question 31:

No comment

Question 32:

No comment

Question 33:

No comment

Question 34:

Anecdotal evidence is that age discrimination is alive and well among employers. As their servants, recruitment agencies typically reflect the wishes of those who pay them.

Many agencies and employers would benefit from proper training to understand both the community and personal impact of longevity so they can assist a more informed community approach to using the human capital which is typically lost when capable people are not given the opportunity for employment.

Longevity awareness training should be a formal requirement for all those involved in recruitment.

Question 35:

Yes, but other criteria should also be permitted. These could include family arrangements and health.

Question 36:

No comment.

Question 37:

No comment.

Question 38:

The modern award system has typically been based on the notion of entitlements.

Awards should contain formal reference to the responsibilities of employers not to regard mere age as any criterion for discrimination and to acknowledge that individual differences in performance can be acceptable within reasonable limits. Ability to perform a job safely and with adequate productivity are the fundamental criteria.

Employers should be required to provide more information to their employees about issues that arise with increasing longevity.

It should also be made clear to employees that the aim is to ensure they are well informed about their own situation and where possible receive counselling to help them make better longevity-based decisions.

Question 39:

Such barriers are inappropriate for reasons outlined in Q11.

Where the groupings involved are typically not 'average', it is not serving the community's best interests or those of the individuals affected to continue to use outdated reasoning. Age was a simple criterion to use when few people were affected by age discrimination. However, more appropriate performance based assessments for fitness now exist and should be used for different industries and professions. They would also provide individuals with a fairer basis for both self and third party assessment.

An example is the granting of driving licenses. Those who wish to retain their licence can receive coaching and other support to keep their licenses. The evidence from USA is that such training can make a significant difference. It is reasonable to conclude that with more effort such assessments could be provided for many industries and professions where simple age criteria cause a loss of valuable human capital.

Another example is the judiciary. Involvement of governments (the ultimate employer) is seen as compromising judicial independence. However, competence based assessments which reflect current knowledge about longevity and its implications for individuals should not be too difficult to adopt and would presumably reflect those used for initial recruitment.

Question 40:

No comment

Question 41:

Employers and governments have a great deal to gain from making sure reliable and useful longevity information is not only available but understood and integrated into each individual's life plans.

However, such a longevity awareness program need to be integrated with other service providers such as doctors, dentists and other health professionals who need to be more effectively trained to understand and promote greater longevity awareness.

Most importantly, the legal requirements on professional financial advisers should include a proper consideration of longevity issues with their clients. This would be a considerable benefit to all parties mentioned above and have an extra impact as they would be under review at regular intervals.

Apart from additional training (which is already available) there would be little if any additional cost to advisers or their clients and considerable extra value would be added to the relationship.

Question 42:

All people involved in OH&S should be required to undertake training in longevity awareness so they can more effectively contribute to the community progress in managing steadily increasing longevity in the workplace.

Question 43:

See Q41,Q42

Question 44:

No comment

Question 45:

See Q41,Q42. The main limitations are lack of proper longevity awareness training.

Question 46:

Changing legal frameworks may follow once appropriate longevity awareness training is required for parties. The greatest barrier is ignorance of longevity.

Question 47:

No comment

Question 48:

For reasons outlined in Q11, workers compensation should have no age based restrictions. This may require more strict criteria for entitlements to be continued but such an approach allows for relevant individual differences to be taken into account, for which age is an unreliable proxy.

Question 49:

No comment

Question 50:

Although it is increasingly difficult to obtain insurance with increasing age, life companies must be allowed to make the commercial decision whether or not to be involved. It is also the case that most of the reasons for having such protection diminish with age so there seems to be little benefit in government intervention.

Question 51:

See Q50. A dialogue with life insurance companies might reveal more general information might benefit potential clients and their advisers (especially financial advisers). This could be promulgated but there seems no basis for introducing a regulatory framework.

Question 52:

Efforts to improve the longevity awareness of individuals and their advisers are likely to be more efficient and effective than changes in the law.

Question 53:

Age as a criterion is a very broad one and not helpful. Other more relevant tests such as health and capability should be more dominant.

Question 54:

Age should be removed as a criterion.

Question 55:

Age as a criterion should be replaced with more relevant tests according to the work intentions and capabilities of the individual.

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