22/12/15

By email: ageanddisabilityinquiry@humanrights.gov.au.

Ms Susan Ryan
Age and Disability Discrimination Commissioner
Australian Human Rights Commission
GPO Box 5218
SYDNEY NSW 2001

Dear Madam,

Re: AustralianSuper submission to 'Willing to Work: National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability'

AustralianSuper welcomes the opportunity to respond to the 'Willing to Work' Inquiry.

About AustralianSuper

AustralianSuper is Australia's largest single superannuation fund and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 2 million members and manage over $90 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for our members.

We note that the terms of reference of the above Inquiry are as follows:

- "Practices, attitudes and Commonwealth laws that deny or diminish equal participation in employment of older Australians and Australians with disability; and
- The Commission's recommendations as to Commonwealth laws that should be made or amended, or action that should be taken, to address employment discrimination against older Australians and Australians with disability."

The purpose of superannuation and its relevance to this submission

AustralianSuper is keen to articulate superannuation policy positions that are relevant this inquiry, and which are implicitly cognizant of the purpose of superannuation. We believe that the purpose of superannuation is to provide adequate requirement income for Australians to improve their quality of life in retirement.

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There are two key components of this definition:

1) Adequacy
2) Quality of life - confidence

All of our policy advocacy focusses on measure to ensure that our members are able to achieve *adequacy* of retirement incomes – this largely affects regulatory, competition and taxation settings around the *accumulation* of superannuation.

The second component relates to the ultimate outcome for members – obtaining *quality of life* in retirement. This is only possible if fund members trust the superannuation system in Australia, and can then have *confidence* to create a quality life for themselves in retirement, the decumulation phase of superannuation. What is important for members in this stage of their lives is not only income, but shelter (home) and health. Our policy positioning is cognizant of all these issues, rather than merely the preservation of favorable regulatory settings for superannuation.

With these keys settings on the purpose of superannuation in mind, AustralianSuper's submission focusses on the following:

1) Policy issues in superannuation that impact of retirement decision-making by older workers, potentially affecting their ability to stay in the workforce longer.
2) Provision of AustralianSuper data and insights that are relevant to the retirement intentions of older workers, and contrasting those with the reasons why older workers actually retire from the workforce.

The provision of AustralianSuper data may be of use to the Inquiry in terms of discerning any discriminatory practices or arrangements which might lead older workers to retire prematurely. For this reason we have not completed the pro forma questionnaire for the inquiry as the questions do not relate specifically to superannuation matters.

Please note also that data provided relates in part to AustralianSuper members and is commercial information. Accordingly we request that this submission remain confidential and not be published on the Human Rights Commission website or any other Commonwealth Government website.

SUPERANNUATION POLICY SETTINGS RELEVANT FOR OLDER WORKERS

a) Transition to Retirement strategies

AustralianSuper is singularly focused on our members achieving their best possible retirement outcomes, by building up adequate superannuation to enable them to have confidence in having quality of life in retirement. Towards this end we consider that a transition to retirement (TTR) strategy is appropriate for some AustralianSuper members. A TTR strategy involves a member salary sacrificing superannuation (and adding SG contributions) to one superannuation account, and receiving a superannuation pension from a pension account, usually with the same provider. TTR strategies are designed to enable employees to work less and receive around the same income, effectively to 'transition' to retirement.

AustralianSuper is concerned that TTR strategies are generally not appropriate for members that are in the two lowest tax brackets. There are minimal or no tax savings because they do not pay enough tax to offset the 15% contribution tax. TTR strategies need to be made more accessible to lower income earners in order to enable them to have more control over their transition to retirement.

Recommendation: The retention of the Low Incomes Superannuation Contribution is one measure which would make TTR more worthwhile for low income earners, and ensure such workers are able to remain in the workforce longer by facilitating an appropriate transition.

b) Ability to pay lump sums into income stream (pension) accounts.

There are circumstances where a member would have a valid reason to place an additional lump sum into their income stream account, including inheritance, downsizing the family home, a transition to retirement transfer from an accumulation account, or a redundancy payment.

Currently if a member wants to add money to their existing income stream (pension) account they have two options:

(a) Open a new pension account. This requires the pensioner to roll their old pension account and any additional money into the new pension account.
(b) Open a second pension account.

Both of these options result in an unnecessary administration burden and extra costs (which erode retirement savings) being imposed on retirees.

This same scenario adversely affects TTR members, as they also need to run two superannuation accounts in order to implement a transition to retirement strategy. This increases their costs, reducing their confidence in being able to manage their own retirement transition planning.

Recommendation: Amend pension requirements to allow for the topping up of pension accounts.

c) Income protection

AustralianSuper provides income protection insurance cover as part of membership of this fund. AustralianSuper has been able to negotiate to extend income protection cover for members up to age 70 years, where it is usually limited to age 65.

AustralianSuper is concerned that a lack of income protection insurance seriously limits the working life of mature-age workers. Limits on income protection insurance send a message to people in their mid-60s that they are too old to be in the workforce. They also act against policies that are aimed at keeping older people in work.

Recommendation: That the Inquiry recommend a process of consultation with insurers about changing the availability of income protection insurance so that it is more widely available to older workers.

d) Carer's leave entitlements

Older workers disproportionately take on carer's roles, this is especially so for grandparents. The UK have recently flagged their intention to extend their shared paid parental scheme to grandparents. The current scheme of 52 weeks of which 39 is paid, is a shared scheme aimed to create a cultural shift to get men to partake in caring responsibilities. Extending the shared parental leave scheme to grandparents will help parents get back to work sooner, will particularly benefit single parents.

We understand that nearly two million grandparents in the UK have given up work, decreased their hours, or taken time off to assist with childcare. These reforms are designed to encourage grandparents to stay in the workforce by giving them the flexibility to balance childcare with work commitments.

Recommendation: That the Inquiry consider and comment on the potential benefits of such carer's leave arrangements in considering options to assist older workers remaining in the workforce for longer periods.

AUSTRALIANSUPER DATA REGARDING RETIREMENT INTENTIONS AND ACTION

Retirement intentions of older workers

In August 2014, AustralianSuper undertook research to understand more clearly superannuants' expectations and what they valued most from product and advice services, through to their lifestyle expectation. This research comprised 1,058 respondents with AustralianSuper members, as well as the general public.

Note: The information below is a combination of commissioned research and AustralianSuper member data. It is not one study i.e. the information may be from different members and in some instances is a combination of member and general public options.

Key findings regarding expectations of perceived years to retirement by age cohort were as follows:

- 75% of 50-54 year old members expect to work another 10+ years, anticipated retirement age between 60 and 64 years.
- 50% of 55-59 year old members expect to work another 10+ years, anticipated retirement age between 65 and 69 years
- 10% of 60-64 year old members expect to work another 10+ years and this remains steady at 9% for members 65+

Reasons why members retire
AustralianSuper has recently commissioned Investment Trends to conduct research about the reasons why older workers retired. This data has then been more broadly contrasted with the discernible activities of AustralianSuper members who reach preservation age.

In general terms, we have discerned that those nearing retirement think they will work for longer than they actually do, and that they withdraw superannuation or commence a superannuation pension based upon Government mandated milestones in superannuation.

The *"Investment Trends – Retirement Income Report – preliminary 2015* surveyed 1,178 retirees (not just AustralianSuper retirees). It found that 50% of retirees retired earlier than they planned. The reasons provided are as follows (note multiple answers were permitted here):

- 34% due to health issues
- 21% no longer wanted to work full time
- 16% accident or disability
- 16% become unemployed
- 14% because their financial adviser said they can/have accumulated enough money to enjoy a comfortable retirement
- 7% because they became eligible for the Age Pension
- 12% of members surveyed retired later than they planned

AustralianSuper data on financial actions in retirement

We have considered the above information regarding retirement intentions, and reasons for retirement, against what AustralianSuper members actually do when they retire. The findings suggest behaviour based upon financial issues such as getting their superannuation when they can, or when it is most tax effective. This is shown below.

1. **Lump sum**

Once a member is 55 years of age and is fully retired, under current legislation, their super balance can be taken as a lump sum payment or converted into a pension. In the financial year ended 30 June 2015 the key insights from members taking a lump sum were:

- 55% of members did so before the age of 65 despite the high probability of losing tax advantages.
- The significant majority were for amounts under $50k
- Three key ages when there is a spike in lump sum withdrawals - 55, 60 and 65 years.

2. **Super pension**

Once a member reaches the age of 60, super pension streams are tax free. The key insights from current AustralianSuper pension members (November 2015) are:

- 59% of AustralianSuper pension members started their pension before the age of 65.
- The highest proportion start their pension stream between the ages of 60 and 65 years of age with the highest peaks at 65, 60 and 64 respectively.
- The average starting balance is $330,000 however a small number of large balances skew the average. The median starting balance is $244,000.

For both lump sum withdrawers and pension members, the spikes at various ages suggests behaviour based on financial issues:

- Spike at age 55 may relate to those withdrawing superannuation as soon as they reach preservation age regardless of the tax disincentive
- As the majority of lump sum withdrawals are under $50,000 tax disincentives have a lower impact, and an income stream/pension is not a high consideration due the low level of income it would provide.
- Spike at age 60 suggests a cohort who decide to withdraw superannuation and/or commence a pension only when they can take it tax free.

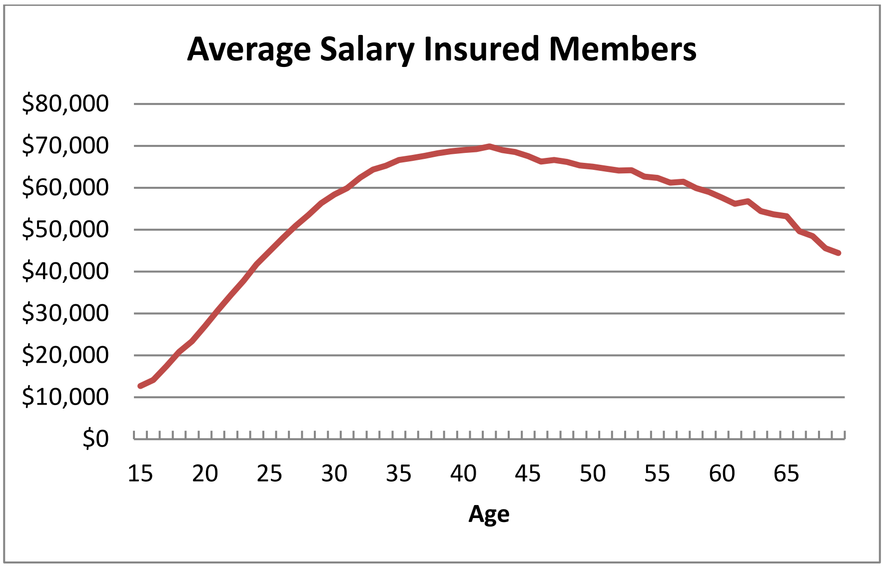
- Spike at age 65 suggests a cohort who decide to withdraw superannuation/ commence a pension income stream only when they also have the Government Age Pension to fall back on.

3. AustralianSuper data on insurance held in superannuation for older workers

The graph below demonstrates the average income level of AustralianSuper fund members who hold insurance cover as part of their membership of the fund.

AustralianSuper members who are over the age of 50 and remain insured within the fund earn on average around $63,000 per year, less than average male ordinary time earnings. This suggests that they either have insurance unnecessarily or retain it because they still have to protect their income. If they have to protect their income this would suggest they still have debt to service and are not considering retiring in the short or near term, consistent with retirement intentions data shown above.

Average salary of insured members



Further background data

4. AustralianSuper membership

- 22.5% of members (470,487) in Accumulation are between 50-65 years of which:
  - 55% are contributing with an average account balance of $102,000.
  - 45% are not contributing with an average account balance of $41,000. (Note: may have another super account elsewhere.)

- Members 50-65 years in accumulation:
  - 24% have between $1,000 and $10,000 account balance
  - 28% have between $10,000 and $50,000 account balance
  - 16% have between $50,000 and $100,000 account balance
  - 15% have between $100,000 and $200,000 account balance

5. Contributing SG

SG contributions made on behalf of members by employers starts to fall off in the 50-59 age cohort (this excludes members who have taken a lump sum). This suggests that employment is reducing for members of that age cohort.

Contributing AS Members Oct 2015		
Age Band	**# members**	**% total**
Under 18	7,172	0.7%
18-29	292,466	27.9%
30-39	261,461	24.9%
40-49	227,203	21.6%
50-59	183,760	17.5%
60-69	71,379	6.8%
70+	6,441	0.6%
Total	**1,049,882**	**100.0%**

6. Reasons why AustralianSuper members withdraw their superannuation rather than convert it to an income stream

Below is a research sample of AustralianSuper members requesting a part or full payout once they are no longer working – with 31% wishing to pay-off debt. The existence of debt in pre-retirement years means members have an expectation to do the following:

- Work longer to pay off debt
- Use superannuation monies to pay off debt, which leaves less superannuation monies to retire on, potentially reducing quality of life in retirement

Members requesting a part or full withdrawal	Count of Where is the withdrawal going?	
Pay off debts	22	31%
Bank Account	10	14%
Health expenses	9	13%
Holiday	8	11%
Caravan / car	7	10%
Not provided	7	10%
Other	5	7%
house/investment property	1	1%
Property	1	1%
home deposit	1	1%
home renovation	1	1%
Total	72	100%

If you have any questions please do not hesitate to contact me on 03 8648 3847 in the first instance.

Yours sincerely

Louise du Pre-Alba
Head of Policy