Retirement Income Review - Submission

Do we need a review?

One could ask the question "what is the point of yet another review" when past reviews such as the "Tax Review" by Ken Henry in 2009, the "National Commission Of Audit" by Tony Shepherd in 2014 and research papers such as "The Age Pension in the 21st Century" by Michael Rice in 2018 have been ignored by successive Governments. While many recommendations from these reviews were in the long-term national interest, successive Governments has been unwilling to implement such recommendations.

Even before it has begun, the Government has diminished the credibility of the review. One criticism is that the Government has excluded important considerations from the scope of the review. Another criticism is that the panel chosen by the Government has a narrow range of pre-determined views. While it is the Government's prerogative to choose what it wants, it is important to understand that such restrictions do not support the best interests of retirees. Little wonder many people are so disillusioned with the political process.

The analysis in this submission lists numerous deficiencies with the retirement system and proposes solutions to improve it. Most of the problems are obvious, and the solutions are often straight forward common sense. Despite this, most of the problems have existed for a long time and little has been done to fix them. This raises some questions. What are the relevant Government Departments, who are responsible for the retirement income system doing? What are our politicians, who are responsible for the retirement income system doing? Why is the Government spending yet more millions of dollars for a report, when the information that it will contain is already well known?

Is there a problem?

Australians retirement income system has a three-pillar structure (1) publicly funded (means tested) aged pension, (2) privately managed mandatory saving scheme (compulsory superannuation), and (3) privately managed voluntary assets (non-compulsory superannuation and other assets).

The Australian retirement income system is ranked third globally, behind Denmark and Netherlands. Still, the publicly funded aged pension falls short of the ASFA defined modest retirement income. The Government needs to be smarter (or more efficient) if it is to achieve the target of providing an ASFA defined modest retirement income for all Australians. Additionally, voluntary privately managed assets need to be better managed if the target of providing the ASFA defined comfortable retirement income for most Australians can be achieved. Based on 2018 data, the aged pension was $23,598 (singles) and $35,773 (couples), the ASFA modest retirement was defined as $27,368 (singles) and $39,353 (couples), and the ASFA comfortable retirement was defined as $42,764 (singles) and $60,264 (couples).

The cost of the aged pension is currently about 2.5% of GDP and has been decreasing. Comparable OECD countries spend a higher percentage of GDP on publicly funded aged pensions. This is especially the case when comparing with countries such as Greece where aged pension spending was very high as a percentage of its GDP and was ultimately unsustainable. It is important to understand that Government spending for the aged pension is just one component of Government spending for people in retirement, and while aged pension spending is decreasing as a percentage of GDP, the same is not true for aged care services and other aged assistance.

The review may conclude that Australia ranks third globally, which is good enough, and that there is nothing to that needs to be done. Such complacency fails to understand that any retirement system can be improved, and that Australia's retirement system can be improved. The review may also prove superficial in its identification and analysis of problems with the retirement system. Again, this will result in opportunities to improve the retirement system being missed.

Factors that impact the retirement income system.

The following factors should be considered when reviewing the retirement income system are:

1. aged pension indexation,
2. aged pension funding,
3. longevity in retirement,
4. aged pension means testing,
5. compulsory superannuation,
6. voluntary superannuation,
7. other assets,
8. cost benefit analysis of superannuation.

1. Aged pension indexation

The full aged pension is currently set at 27.70% of MTAWE for singles and 41.76% of MTAWE for couples. This provides a retirement income which is below the ASFA defined modest retirement income.

The full aged pension is automatically increased every 6 months by the maximum of the CPI and PBLCI and then benchmarked to 27.70% for singles or 41.76% for couples of the MTAWE. This indexation is designed to reflect the increase in the standard of living (relative to the population generally), resulting from the increase in the cost of living and productivity improvements. This method of indexation can be considered fair.

The NCOA recommended changing the full aged pension from 27.70% for singles and 41.76% for couples of MTAWE to 27.70% for singles and 41.76% for couples of AWE. As AWE is lower than MTAWE, this would result in an effective decrease in the pension benefit (relative to the population generally). The NCOA then tried to argue that this would somehow this maintain the "real" value of the pension, but the "real" value of the aged pension is maintained when it is maintained from a standard of living perspective, not just from a cost of living perspective. Such a change does not seem warranted considering that the aged pension is 2.5% of GDP and is projected to decrease further as average superannuation retirement incomes continue to increase with the maturing of the superannuation system even with the ageing of the population. The Governments long term objective should be to increase the level of the pension (as a percentage of wages) so that it is not below the ASFA defined modest income. One way the Government could increase the aged pension is to hold the cost of the aged pension to 2.5% GDP until it reaches the ASFA defined modest defined modest income.

2. Aged pension funding

Historically, the aged pension has been funded by annual Government revenues. For a person aged 65 years, with a life expectancy somewhere between 85 and 90 years, it costs the Government more than $500,000 to provide that one person with the aged pension.

The Future Fund was established in 2006 to fund (the then unfunded liability) the pensions for former Government employees and since then several smaller funds have been added. Over the past

10 years, the Future fund has increased from an initial $60 billion to over $150 billion at an annual rate of 10.4% which is higher than its current target rate of 6.5% or CPI + 4.5%. Although the Future Fund has not yet been used to pay for the cost of the pensions of former Government employees, it effectively earns the Government more than $10 billion dollars in revenue per year, which is used to offset Government nett debt.

If the Future Fund had been established and funded as and when former Government employees were making pension contributions from their own salaries, it could have provided the funding at a significantly lower cost than has been achieved. However, it has provided the funding at a significantly lower cost than would have been the case had it not been established in 2006.

The Future Fund could be extended, by adding an “Aged Pension Fund”, which would reduce the $500,000 plus cost to provide the full aged pension for a person aged 65 years (with average life expectancy). If this had been done in 2006, even by borrowing the funds through issuing Government bonds, the cost of providing the aged pension could now be significantly lower than it currently is. Perhaps this would have been a far more effective way to invest some of the proceeds from the mining boom back then. The case for doing this now is just as compelling, with the low interest rate environment (for Government bonds).

3. Longevity in retirement

The average life expectancy for a person aged 65 years has steadily increased over time and is projected to continue increasing. As a result, the length of time that the aged pension is provided is increasing. The NCOA developed a recommendation that the minimum age be increased, so that the pre-aged pension lifetime was set to 77% of total lifetime. This proposal was rejected, not because the principle underpinning the recommendation was poor, but because the 77% was too high (at least to be passed by the Senate).

One problem with increasing the minimum pension age is that more people will be unable to work until they reach the minimum retirement age. Currently, these people are either placed on the Newstart or the Disability Support Pension or must use their superannuation and/or other assets to fund themselves for the period until they reach the minimum pension age. For many people, this can mean poverty as well as detracting from their ability to fund their retirement income after they reach the minimum retirement age, not to mention an additional cost to providing the aged pension. There seems to be little research on the cost/benefit analysis of options such as developing transitional arrangements to support people to continue working in a reduced capacity.

4. Aged pension means testing

Means testing reduces the aged pension that is paid to people over 65 years who receive income from working (work bonus test), income from financial assets (income test), and have the capacity to draw down on their own assets to help fund their retirement (assets test), with the aged pension being reduced as these incomes and assets increase. Some assets (home, funeral bond, aged-car accommodation bond) that are exempt from the assets test. The purpose of the means test is to ensure the aged pension is paid to people according to their need, ensuring that they have a safety-net level of retirement income, and ensuring that people with the same amount of wealth receive the same amount of aged pension. Without means testing, the cost of the aged pension would almost double to about $85 billion per year.

The following analysis has been restricted to a single (homeowner) pensioner. It could be repeated for single (non-homeowner) pensioners, couple (homeowner) pensioners, and couple (non-homeowner) pensioners, and I expect the conclusions would be similar.

The work test allows a single (homeowner) aged pensioner to earn up to $7,800 per year from working, with any amount above that is then counted against their income test. The income test allows a single (homeowner) aged pensioner is earn $4,524 (of deemed income) per year with the pension being reduced by 50 cents for every additional dollar, thereby reducing to zero when their (deemed) income reaches $13,573. It is possible to equate the income test with a mathematically equivalent assets test using the current deeming rates. A single aged pensioner can have $185,333 in financial assets and still received the full aged pension, with the pension being reduced by $15 per year for every $1000 of additional financial assets, thereby reducing to zero when their financial assets reach $1,790,747. The assets test allows a single (homeowner) aged pensioner to have $263,250 in combined financial and non-financial assets and receive the full aged pension, with the pension being reduced by $78 per year for every $1000 of additional assets, thereby reducing to zero when combined financial and non-financial assets reach $572,000.

The work test, income test, and the assets test, work in combination. Any work income above $7,800 being 'carried over' to the income test. The income and assets test are both applied, and the test that results in the lower pension amount being applied. Since the assets taper is 5 times more severe than the income test ($78 per $1000 for the assets test against an effective $15 per $1000 for the income test), the assets test is the test that determines a person's pension, except for a fairly narrow range when the income test first starts to reduce the pension. It is obvious that the income test settings are is too generous and the assets test settings are too severe. For the income test, the underlying assumption is that the first $51,800 has a deemed income of 1%, and all other financial assets have a deemed income of 3%. In practice, financial assets above a certain point, $250,000 (say), could reasonably be invested to provide something like CPI plus 3% (or 5%). For the assets test, combined financial and non-financial assets need to provide an investment return of 7.8%, just to provide compensate for the reduction in the aged pension, and a return of 7.8% is impossible (especially for people who require a conservative investment portfolio). The inevitable consequence of the assets test is that many aged pensioners will have no option but to run down their financial assets to achieve a satisfactory retirement income, and so will be eligible for an increased aged pension (providing that they do not die in the meantime).

It is worthwhile to examine some absurd outcomes that the current means testing settings can produce.

(1) A single homeowner with $185,333 in financial assets and $263,250 in combined financial and non-financial assets receives the same full aged pension as a single homeowner with zero financial assets and zero combined financial and non-financial assets.
(2) A single homeowner aged pensioner with $263,250 in combined financial and non-financial assets will receive a higher retirement income (full aged pension and income from financial assets) than a single aged pensioner with $572,000 in combined financial and non-financial assets (no pension and income from financial assets). A single (homeowner) pensioner with between $263,250 and $572,000 in combined financial and non-financial assets would be financially better-off just taking a world cruise until they reduced their combined financial and non-financial assets $263,250.
(3) A single homeowner pensioner with a home valued at $2.5 million (say), would be considered sufficiently wealthy (in terms of assets) to more than support their own retirement, yet could still receive the full aged pension if their combined financial and non-financial assets are below $263,250.

Common sense would suggest that someone with zero income and zero assets should receive the full aged pension, someone with more income and assets should receive a progressively lower aged

pension yet still receive a higher overall retirement income, someone who has sufficient wealth (income and/or assets) to enjoy an ASFA defined comfortable retirement should probably not receive any aged pension, and people with similar financial wealth (income and/or assets) should receive similar aged pensions. Finally, the overall cost of the aged pension needs to be constrained to (the current) 2.5% of GDP. However, the outcomes above demonstrate that this is not what is happening. The conclusion is that the means testing has not be properly thought through and correctly calibrated.

The following means testing structure would improve the pension outcomes:

(1) Retain the current work test.
(2) Either (a) notionally split the aged pension into two equal parts and apply an income test (based on actual income) to one part and apply an assets test (based on more realistic deemed incomes) to the other part, or (b) combine the income and means tests into a single assets test (as assets is a reasonable measure of wealth).
(3) Apply a properly calibrated and progressive taper for means tests e.g. 25% from the full aged pension to an ASFA defined modest retirement income, 50% from an ASFA defined modest retirement and an ASFA defined comfortable retirement, and then 75% above an ASFA defined comfortable income.
(4) Calculate deemed income based on a more realistic investment portfolio (cash, term deposits, bonds, managed investments, superannuation, property, shares). The current deeming rates are too low for people with more than $250,000 (say) in combined financial and non-financial assets, who could reasonably invest part of their assets in the higher return assets classes.
(5) Scrap higher asset thresholds for non-homeowners in favour of additional rent assistance, as higher thresholds provide no benefit if the non-homeowner does not have additional assets to benefit (and have even greater need for rent assistance).
(6) Acknowledge that the home is both an essential asset (provides shelter) and an investment asset (increases in value) and incorporate the investment portion of the home into the assets test.

There is a problem with current reverse mortgage rates. Banks typically set the reverse mortgage rate higher than normal mortgage rates. I can see no valid reason why reverse mortgage rates should be higher than normal mortgage rates. In fact, they should be lower, since a reverse mortgage is inherently lower risk for banks. The Governments Pension Loan Scheme provides a reverse mortgage rate of 5.5%, when the Government can borrow money at less than 2%, which results in a NIM of 3.5% (almost double the NIM of those greedy banks at 2.0%). Clearly, legislation is needed to address this problem, otherwise homeowners who need to reverse mortgage their home, in order to provide an adequate retirement income, will be further victimised. Commercial reverse mortgage rates below the normal mortgage rate, and a Government reverse mortgage rate at the same level as the HECS interest rate, may be appropriate.

5. Compulsory superannuation

Compulsory superannuation has been very successful, since its introduction in 1992. People currently forego 9.5% of their salary and contribute it into their superannuation account where it can grow (due to compounding earnings and the benefit of tax concessions). In retirement, compulsory superannuation provides a higher retirement income. The Government (and taxpayers) benefit because the aged pension costs less as people will retire with higher incomes and assets. Compulsory superannuation has been a key driver in the reduction of the cost of the aged pension, now at 2.5% of GDP. This means that it is very much in the Governments own interest that the

structure and administration of compulsory superannuation align with optimising the reduction in the cost of the aged pension. Another benefit from compulsory superannuation is the large pool of domestic savings, that would otherwise not be available and is invested into the Australian economy, has been a key driver in the growth and stability of the Australian economy. Finally, the ethical benefit from compulsory superannuation is that people are funding their own retirement, rather than burdening the next generation. It should be noted that, without compulsory superannuation, most people would simply not reduce their standard of living during their working life to fund their own retirement.

By contributing salary and wages to compulsory superannuation, people are trading off an otherwise higher standard of living during their working life for an otherwise lower standard of living during their retirement. Just how much this trade off should be is contentious, but common sense would suggest that it should be enough such that a person would enjoy a similar standard of living during retirement as during their working life.

A common mistake that many people make is to conclude that compulsory superannuation has been very well thought through, designed, and administered - given it has had such a positive and beneficial impact for people in retirement, the Government, taxpayers, and the economy. The fact is that these benefits been resulted despite the poor thinking, design, and administration and would be much better if the Government had done a better job (and as it should have). This paper lists several steps that would improve compulsory superannuation outcomes.

(1) The current taxation structure of compulsory superannuation is, I think, the biggest failure of the retirement income system. It makes no sense to tax compulsory superannuation (contributions and earnings) for people will qualify for the full or part aged pension. This is because, without taxation, some of these people would accumulate enough superannuation to move to a part aged pension or no aged pension. A better approach would be to tax compulsory superannuation (contributions and earnings) by calculating the taxation of the retirement income that it ultimately provides (using individual tax rates). Essentially, this averages out the tax from a person's working life to their working life plus their retirement life as well as preserving the progressive aspect of tax rates that applies to the taxation of salary and wages and can be considered fair (unlike the current tax structure). By default, it ensures that people have no incentive to accumulate more in superannuation than is needed to support a higher retirement income than during their working life (due to the progressive individual tax rates). In practice, tax could still be deducted at each phase of superannuation (contribution, accumulation, pension) with a refundable tax offset against tax paid during contribution and accumulation phases ,when the pension is paid during the pension phase (so the Government does not suffer a revenue shortfall before the pension phase). The tax at contribution and accumulation phases would necessarily be based on each person's age and compulsory superannuation balance (rather than the current 15% flat rate).

(2) Women generally have lower compulsory superannuation balances (at retirement) than men. The main drivers are less time in the workforce, particularly in the early years, which is the most important period due to compounding of superannuation earnings, and the fact that women have lower average lower salary and wages. A better approach would be to enable (or even mandate) compulsory contributions be equally split with their spouse. This would substantially eliminate the gender difference for superannuation balances (at retirement). It would reduce the cost to provide the aged pension (as superannuation balances would be more evenly distributed).

(3) The Government introduced Super-Stream to consolidate and streamline superannuation contributions made by employers. Unfortunately, it can take more than one calendar week for contributions to be credited to an employee's superannuation account. It is possible to monetise the cost of this delay to member superannuation accounts, with the total annual cost being something like $100 million per year (10 million people * $7500 contributions * 7.5% superannuation fund return / 52 weeks). This is money that should be directed into member accounts rather than a fee-for-service for clearing house providers. It is little wonder large financial service providers have "jumped" at the opportunity to develop clearing-house capability. Given the widespread use of electronic transfers, I see no valid reason why the funds cannot be made available to the member superannuation account within 24 hours.

(4) Employees need to earn more than $450 per month before an employer is required to make compulsory superannuation contributions. Improvements in technology with the resulting reduction in compliance costs means that all employees should receive compulsory superannuation contributions, irrespective of the amount of salary and wages. This most disadvantages part-time workers, who may have multiple jobs, with each paying a small monthly wage or salary. These are the very people who most need superannuation (which will eventually supplement their aged pension).

(5) Employers are not required to contribute 9.5% of salary and wages (in whatever form) in the form of compulsory superannuation into their employee superannuation accounts. This is out of step with community expectations. Compulsory superannuation contributions are based on ordinary time earnings, as highlighted by the recent BlueScope case. This should be changed. If an employee contributes voluntary superannuation via salary sacrifice, employers are not required to contribute 9.5% of the salary sacrifice amount as compulsory superannuation, although most do so (because they consider it to be ethically correct). Again, this should be changed.

(6) There are issues with the integrity of compulsory superannuation contribution payment system, with reports of employers 'ripping-off' their employees by failing to the required amount of superannuation, or not contributing superannuation at all. The Government could easily put checks and balances in place, that would fix this. At a minimum, the Government could require employers to report total superannuation contributions alongside total salary and wages and tax withheld on BAS forms, as well as requiring employers to report compulsory superannuation contributions and salary sacrifice superannuation contributions alongside the reportable superannuation benefit on annual PAYG statements. These simple steps would provide employees with the information they require to check against their superannuation account. Importantly, the Government could undertake data matching against information provided by superannuation funds on their behalf. The ATO should be collecting data items so it can ensure the integrity of the system, as well as to simply calculate the income tax due.

(7) Lost superannuation has reached about $20 billion and continues to increase. It is now managed by the ATO, which provides a nett return equal to the CPI for these funds. This is a big improvement compared to when these funds were held by superannuation providers and often 'eaten up' by fees. Community expectations would be that every reasonable effort should be made to repatriate these funds and more work could be done to facilitate this. The first step would be to mandate that all new member superannuation accounts have a TFN, which would help to prevent new superannuation accounts becoming lost. Periodic data matching could be undertaken by the Government to help repatriate lost superannuation, rather than simply providing an application and relying on people to take the initiative to locate their lost superannuation. The data matching is most effective if it was conducted using all (available) data sources that contains name, other identifiers such as dob and gender, and other contact

information. Importantly, it needs to match against current and historical contact information and to use ‘fuzzy’ data matching logic. The following data sources would be candidates for data matching – ATO, Centrelink, Human Resources, Births/Deaths/Marriages registrations, change of name registrations, utility accounts, rates notices, court records, medical records, car registrations, driver licenses, bank accounts. Note that the matching generally (only) needs to use the metadata from these data sources.

(8) Fund performance (nett of all fees and charges) has a major impact on the final retirement income from superannuation. Although the Government has begun to ask questions about this issue, there are simple steps that the Government could reasonably take that would make a big improvement. Such steps may result in many of the poorer performing funds (voluntarily) merging with larger better performing funds. Some suggestions are:
    a. Allow all employees to choose their own superannuation fund.
    b. Provide an annual fact sheet showing key metrics i.e. 1yr, 3yr, 5yr 10yr nett performance, earnings volatility, administration and investment fees (actual value and as a percentile ranking) for the largest (say) 100 superannuation funds and make this information available to all superannuation fund members.
    c. Provide a support services (help line) to assist people to choose a suitable superannuation fund.
    d. Require each superannuation funds to provide the (same) key metrics for their own superannuation fund to its members (together with the government fact sheet showing the performance of the largest (say) 100 superannuation funds.
    e. Require superannuation funds to provide information (together with member annual statements) to assist members to switch funds, combine multiple superannuation accounts, review insurance cover requirements.
    f. Provide each taxpayer with the details of all their superannuation details - together with (A.I. generated) customised advice how their superannuation performance compared to the average and suggestions to improve the performance of their superannuation (e.g. combine multiple accounts, poorly performing superannuation funds, available lost superannuation available to be reclaimed).
    g. Scrap the simplistic ‘best in show’ initiative.

(9) The level of compulsory superannuation contributions is contentious. If a person contributes 9.5% of their gross income over a 40 year working life, then their superannuation balance at 65 years will equal 4.8, 6.0, 7.5, 9.5, 12.1 times their annual income based on a real (above CPI) return of 1%, 2%,3%,4%,5% respectively. Therefore, a person could reasonably expect to achieve a superannuation balance of 8 times their annual salary at 65 years with a 9.5% contribution rate (which corresponds to a sustainable retirement income of about 50% of their working-life gross income). Based on a 12% contribution rate, the amounts would be 12/9.5 times (or 25%) greater. Given that the retirement income from superannuation is still well below the working-life income, there is a case to progressively increase the contribution rate, keeping in mind that increasing retirement age standard of living is at the cost of a reducing working-life standard of living. It would seem better if contribution increases are benchmarked against wage increases above CPI rather than a mandated timetable. These calculations are necessarily a simplification and Treasury could use ATO unit data to provide a more comprehensive (and accurate) analysis.

6. Voluntary superannuation

Voluntary superannuation allows people to make superannuation contributions in addition to their compulsory superannuation, to increase their superannuation retirement income. Currently, people

can contribute $25,000 in total concessional (compulsory plus voluntary) superannuation contributions per year and $100,000 as voluntary non-concessional contributions per year, subject to various total superannuation balance and age constraints. It is in the Governments interest that people can provide a higher superannuation income, as it reduces the aged pension cost. Overall, the rules associated are sensible, but the following changes would be beneficial:

1. Disallow voluntary superannuation contributions when a person's total superannuation balance reached $1.6m. This rule currently exists for non-concessional voluntary contributions, but not for voluntary concessional contributions.
2. Allow voluntary superannuation contributions for all people between over 65 years (with a superannuation balance below $1.6m). This would likely result in better retirement incomes for people over 65 years. One reason people over 65 years may wish to rollover their personal financial assets into superannuation is because they may feel less capable to manage them as they age.

7. Other assets

The recent Financial Services Royal Commission revealed several cases were people have received very poor advice or worse still have been "ripped-off" by financial advisors. Unfortunately, the Royal Commission failed to separate advice from products, so there is every expectation that the problem will continue. This demonstrated (yet again) the need for Government to become more involved in this space. A key role for Government is public awareness and education. The Government would do well to spend some taxpayer dollars enhancing and promoting the Money Smart Website. The Government could provide a no-frills fee-for-service financial advice to provide basic financial service – perhaps this could be provided as A.I. generated advice on the Money Smart Website. Many people either cannot afford financial advice and/or do not trust that the financial advisors will provide competent advice that is in the client's best interest. I am sure that such a service would be swamped with requests for assistance.

8. Cost/Benefit analysis of superannuation

Without a comprehensive cost/benefit analysis, it is not possible to determine whether superannuation is beneficial or not, or to reliably compare to various retirement income models. The cost/benefit analysis needs to consider the whole population as well as specific cohorts, such as people with varying income groupings. It may be that the superannuation settings are beneficial for people with low income levels but not for people with high income levels (e.g. the cost to providing the aged pension is significantly lower than the cost of providing superannuation tax concessions). Given the importance of cost/benefit analysis, it is surprising that it is difficult to find much in the available literature, particularly from Government sources. It will be interesting to see is a comprehensive cost/benefit analysis is contained in the Government review of retirement incomes, as I cannot see how it is possible to undertake a credible review of retirement incomes, without a comprehensive cost/benefit analysis.

A 2013 report by Jeremy Cooper, published on the Treasury website, addressed the question 'How much does superannuation cost the nation and is it cost effective'. The report states that is not possible to provide a definitive answer, but claims that the cost to Government revenue of superannuation (contributions) can be measured as the difference between the marginal tax rate for individuals and the superannuation contribution tax rate and the cost of superannuation (earnings) can be measured as the difference between the tax rate for savings held by individuals and the superannuation earnings tax rate. Without superannuation, the pool of savings from superannuation would (largely) not exist, and therefore the tax revenue that the Government receives from

superannuation would (largely) not exist. Consequently, the report's analysis is rubbish. Additionally, the cost/benefit of superannuation cannot be measured in isolation. The large pool of savings displaces alternative investment sources such as overseas investment, which has an impact on Government revenues. Superannuation also improves economic growth and stability, and this has impacted Government revenues.

Some media reports reference the Cooper report to claim that superannuation is costing the budget $30 billion plus per year, is growing rapidly, and is unsustainable – and urgent action is required to address the problem. In fact, the tax from superannuation earnings would be closer to zero (if superannuation did not exist), and if the other benefits of superannuation are monetised, a very different picture emerges.

The Cooper report does not analyse the cost/benefit of superannuation for specific population cohorts. For example, how does the cost of providing tax concessions to a person who contributes $30,000 per year in concessional contributions and $180,000 per year in non-concessional contributions (prior to the recent 2017 superannuation changes) compare to the cost of simply providing that person with the full aged pension (and would that person need the full aged pension anyway.

A comprehensive analysis of the cost/benefit of superannuation, including comparisons with other retirement income models, and examines specific population cohorts, is a complex undertaking. Policy analysis would be improved if the information from such a comprehensive cost/benefit analysis was made available.