AIST

Measuring what matters: Understanding our economy and society while informing policy making

AIST Submission to Treasury

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The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the $1.7 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST advocates for financial wellbeing in retirement for all Australians regardless of their gender, culture, education or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.

AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.

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Introduction

AIST welcomes the Government's new *Measuring what matters* Budget Statement and its stated commitment to embedding a culture of evaluation in the Australian Public Service to support better-quality Government spending and better outcomes for Australians.

We agree that benchmarking aggregated results against OECD averages risks missing the detail of outcomes for specific cohorts within aggregates. Therefore the OECD framework should be taken as a starting point only. While the Australian context is not always comparable to global frameworks and benchmarks as aggregation fails to address inequities within wholistic datasets, we also note that many comparative datasets are based on averages which are skewed by extreme outliers.

The importance of cohorting in data analysis for disproportionate impacts was recognised in the framing of the Budget paper that serves as the executive summary to this consultation. AIST advocates for those Australians not readily captured by averages. We support a nuanced approach to data collection and analysis, including using segmentation and median data where relevant. We also support data measurements that are targeted and specific to a given purpose.

The superannuation industry both relies on and contributes to a large range of data sets and sources, including ATO tax and superannuation data, APRA benchmarking, demographic information and specific research-based analysis. As a result, we a keen to see that datasets are of high quality and fit for purpose.

The lack of a measurement approach to policy-making in the past has led to many Explanatory Memoranda justifying their policy approach with estimates of their future impact, but without any post-implementation follow-up to measure actual outcomes. This means that above-expectation successes that could be used to refine positive outcomes or address similar scenarios are missed. Likewise, any unintended negative consequences that disproportionately impact certain cohorts fail to be learned from when considering future policy.

Consistent approaches to data gathering and reporting allows for a baseline approach against which the effects of treatments such as time, discrete policy impacts or other interventions can be measured. This can also show up where such approaches fall short and datasets need to be expanded or amended to allow for better comparisons, or where entirely new datasets are required to suit a specific measurable.

AIST has previously made calls for better data collection and use of data in various submissions to wide-ranging consultations. For this reason, we reiterate some of those calls and expand on others in this submission, which can be read in conjunction with our current and recent annual Pre-Budget Submissions. Our recommendations are divided into three categories:

- Looking back: post-implementation reviews
- Extending existing data collections and
- New datasets

All of these tie in with our overarching themes of

- Fairness and Equity
- Adequacy and
- Transparency

A full list of recommendations can be found in the next section.

AIST Recommendations

Looking back: Post-implementation reviews

The Government should:

1. Request that the ATO measure and report on the number of individuals receiving super for the first time in the 2022-23 financial year as a result of the removal of the $450 per month earnings threshold.
2. Monitor the medium and long-term impacts of initiatives that have disproportionate impacts on specific cohorts of individuals, such as the Early Release Scheme, and apply that evidence-base to future policy decision-making.
3. Undertake an analysis of family law superannuation splitting rates and measure the impact of simplified processes such as information sharing in obtaining better outcomes for vulnerable women.
4. Undertake a review of the implementation of SuperStream be undertaken to assess whether it remains fit for purpose and that the data is being used for its intended purpose.

Extending existing data collections

5. Make insurance-related SuperStream fields mandatory to improve insurance in superannuation
6. Request the Workplace Gender Equality Agency measure and publish the gender super gap each year, and assess the impact that future legislative changes to super would have on women.

New datasets

7. Membership of the Economic Inclusion Advisory Committee should include community advocates with specific expertise in relation to older Australians, and urgently examine adequacy of rental assistance payments for retired renters.
8. Review the interaction between involuntary retirement, Jobseeker, the Disability Support Pension (DSP) and the Age Pension
9. Initiate an inquiry into current levels of Commonwealth and employer paid parental leave to assess if they provide sufficient support to parents, and to recommend potential reform options if they do not. The inquiry should also recommend policy options to boost the super savings of new mothers who may not be eligible for paid parental leave, and carer’s who are out of the workforce to care for the elderly or infirm.

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10. Request the Office for Women measure and report on the extent to which menopausal symptoms impact women's employment and retirement decisions, and how these impact their super balances and retirement incomes.
11. Establish a Federal government data-sharing framework to support the implementation of the Retirement Income Covenant.

Submission

Looking back: Post implementation reviews

Quantify the removal of the $450 earnings threshold for SG

The removal of the $450 per month earnings threshold to be eligible for the superannuation guarantee (SG) from an employer was a long-overdue reform that addressed a major inequity in the super system. The threshold had overwhelmingly impacted women in (often multiple) part-time roles, thus contributing to the gender retirement gap, and young people who most lost out on the benefits of long-term compounding.

In the Explanatory Memorandum to the amending legislation[1], it was estimated that roughly 300,000 extremely low-income individuals were impacted and would become eligible for SG from 1 July 2022. In addition to being eligible to accrue retirement savings, the majority of these individuals will now also benefit from access to other regimes designed for low-income employees, including

- fee-capping on low balances to prevent balance erosion until their balances reach $6,000,
- the protection that accruing even small irregular amounts affords against loss of insurance or transfer of accounts to the ATO and away from market-linked returns, and
- eligibility for the LISTO to refund contribution taxes on super amounts.

As the legislation will have been in place for a full financial year come 1 July 2023, AIST recommends that the government undertake a comprehensive post-implementation analysis of the legislation to fully quantify the positive outcomes for these individuals. The ATO should be able to undertake this analysis from income tax and contributions data.

Recommendation 1	Request that the ATO measure and report on the number of individuals receiving super for the first time in the 2022-23 financial year as a result of the removal of the $450 per month earnings threshold.

[1] Estimate from the Explanatory Memorandum to the *Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Bill 2021*

Impact of the Early Release Scheme

Millions of Australian workers withdrew money from their super during the Government's COVID-19 Early Release Scheme (ERS). It is clear from data regarding the scheme that the super gap has widened on an already unevenly distributed retirement savings system. As a result, the financial burden of lost retirement savings will most heavily impact those least able to afford it - those already experiencing disadvantage and the many Australians who were already facing a retirement savings shortfall.

APRA's analysis of the ERS[2] demonstrates that take-up of the scheme was greatest in members aged 25-44. It further demonstrates that the lowest balance accounts were overwhelmingly drawn upon. Accounts with post-drawdown balances under $5,000 make up the largest proportion of remaining accounts and approximately 163,000 accounts were fully depleted.

Similar trends are supported by other datasets. The most recent ATO taxation statistics[3] demonstrate the disproportionate impact on younger account holders, with marked reductions in their median account balances despite a modest -0.6% annual return to the median growth fund in the 2019-20 financial year[4].

In addition, the number of individuals aged under 39 with a superannuation account reduced in 2019-20, by 4.4% for males and 3.1% females, after steadily increasing since 2013-14. This supports other data that indicated many younger individuals drained their accounts to zero, leading to account closure as a result of the ERS.

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[2] APRA, *The superannuation Early Release Scheme: Insights from APRA's Pandemic Data Collection* https://tinyurl.com/3zmzvvyx

[3] ATO, *Taxation Statistics 2019-20* https://tinyurl.com/mr2exrza

[4] SuperGuide, *Super fund performance: Financial years (1992–93 to 2021–22)* https://tinyurl.com/2rfu8e5z

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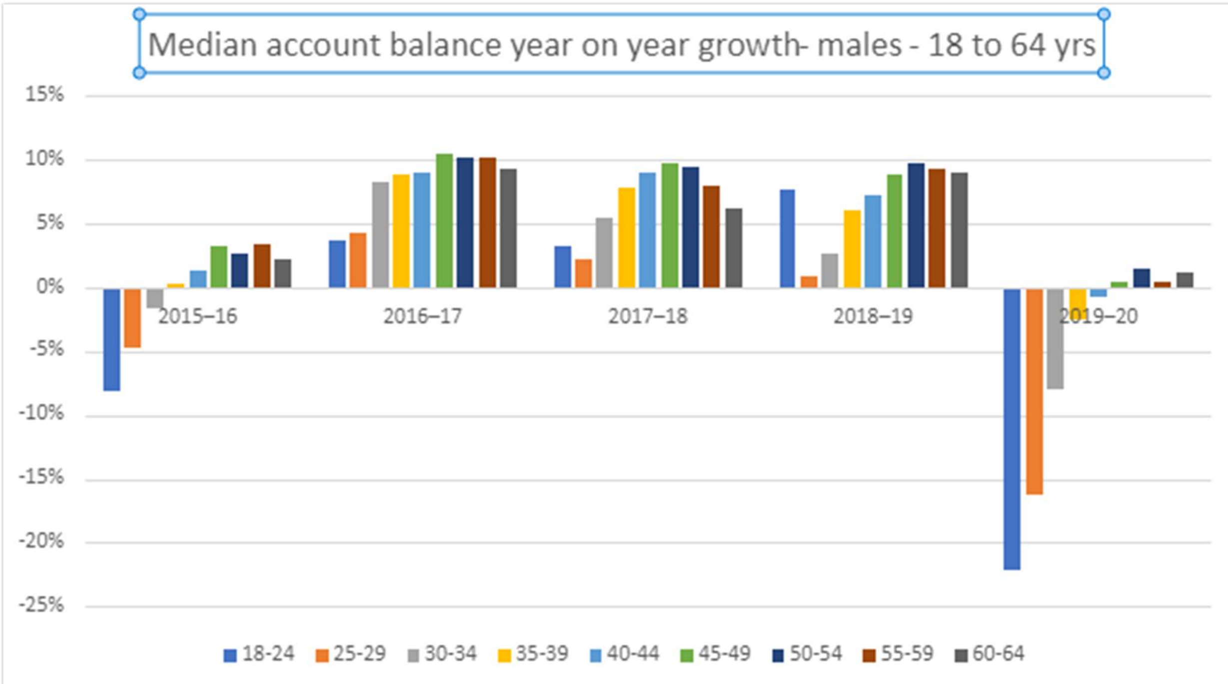

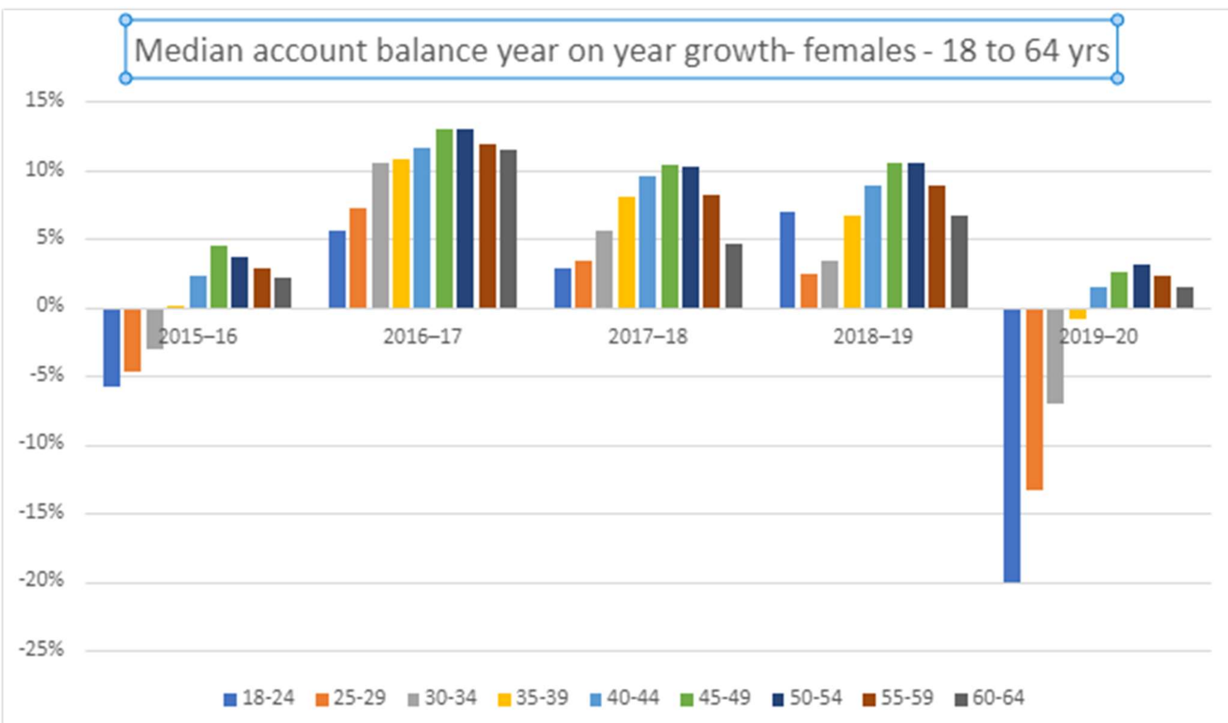

These members stand to most lose out on the benefits of long-term compounding as a result of Government policy that incentivised accessing retirement savings while market conditions locked in significant losses by crystalising negative asset values.

These are quality datasets that should continue to be monitored as the full impact of the ERS is seen over time and the gap in balances widens due to lost earnings. Monitoring this impact will provide Government with an evidence base from which to consider future policy that addresses shortfalls and serves as a case study should similar schemes be proposed in the future.

In addition, the ERS provided a new avenue for financial abuse and coercion, with perpetrators gaining access to their partner's super through the scheme. AIST made calls in its contemporary submissions[5] for the government to fully assess the level of financial coercion experienced by women as a result of the ERS.

Applying a gender lens to future policy making is a critical first step but should also include reviewing past policies to ensure disproportionate impacts on other vulnerable populations are not missed.

Recommendation 2	Monitor the medium and long-term impacts of initiatives that have disproportionate impacts on specific cohorts of individuals, such as the Early Release Scheme, and apply that evidence-base to future policy decision-making

Access to Family Law Superannuation Splitting

In 2018, the Women's Legal Service of Victoria (WLSV) released their ground-breaking report *Small Claims, Large Battles*[6] which investigated the barriers to fair financial outcomes in the family law system for vulnerable and disadvantaged women, many of whom had experienced family violence. The WLSV report states that:

> *"For 21% of matters in the Small Claims project, superannuation was one of the only significant assets, if not the only asset in the property pool."*

[5] AIST, Pre-Budget Submissions Jan 2021 and Jan 2022, *Draft National Plan to End Violence against Women & Children 2022-23* https://tinyurl.com/yccfjawm

[6] Women's Legal Service Victoria, *Small Claims, Large Battles*, March 2018 https://tinyurl.com/2p8vxvb6

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This statistic highlights the importance of easy access to superannuation splitting for equitable outcomes in family law matters and the contribution of access to superannuation in addressing women's retirement adequacy.

One recommendation of the report, now legislated and in place since 1 April 2022, is information sharing of super accounts and their balances between the Court and the ATO. This change addresses those perpetrators of financial abuse who were previously shirking their full and frank financial disclosure requirements by hiding assets in the super system.

AIST recommends that the Government undertake a comprehensive analysis of successful super splitting take-up rates and the contribution of the new information sharing regime in achieving those outcomes.

Separately, the Family Courts have undertaken a number of family law property division trials funded under the Women's Economic Security Package[7] (The PPP500 and LAC Trials) but superannuation was barely touched upon in the evaluations recently published by the Australian Institute of Family Studies (AIFS). This is despite supporting the WLSV's assertion that super was the most commonly held asset, and that full financial disclosure was a major contributor to faster, cheaper and fairer settlement outcomes.

In the PPP500 Trial analysis, fewer than half of Trial cases led to a splitting outcome, which was not inconsistent with the non-Trial case benchmark. As such it is difficult to assess whether the legal ability to access super in a family law split is actually functioning to its purpose and providing separating couples with an equitable division of assets.

With superannuation splitting only just extended to separating defacto couples in Western Australia from September 2022, an assessment of the legislation is timely.

Recommendation 3	The government undertake an analysis of superannuation splitting rates and measure the impact of simplified processes such as information sharing in obtaining better outcomes for vulnerable women.

[7] AIFS, *Evaluation of the Small Claims Property Pilot – Priority Property Pools Under $500,000 (PPP500)*, November 2022 https://tinyurl.com/yxbekpna

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Review of data collections and sources: SuperStream 10 years on.

The implementation of SuperStream was a seismic shift in the management of data and money within the superannuation system. The standardised data protocols have benefited all Australians that have superannuation.

However, as with any major change it is appropriate to reflect on whether the standards remain fit for purpose and whether they are being used solely for the purpose for which they were intended. For example, data provided to Gateway/clearing houses increased markedly on the introduction of SuperStream as they provided an avenue for employers to meet their SuperStream obligations, both data and payment. In doing so, personal information was provided to third parties who are not regulated under superannuation laws. There is concern that the data being provided to some of these entities is being used for other commercial purposes, for example, as part of credit file checks. That is, the credit agency contacts the third party, who for a fee, confirm the level of superannuation contributions (without actually providing actual contribution information). Given this was not an intended purpose of the reforms, it is appropriate that such practices be reviewed.

Recommendation 4	A review of the implementation of SuperStream be undertaken to assess whether it remains fit for purpose and that the data is being used for its intended purpose.

Extending existing data collections

Make insurance-related SuperStream fields mandatory to improve insurance in superannuation

AIST continues to recommend that SuperStream data fields for Employment Start Date, Employment End Date and Employment Status Code be made compulsory for employers to supply, in order to assist superannuation funds and their insurers determine members' eligibility for insurance cover.

The implementation of SuperStream over the past decade has resulted in faster and more efficient superannuation transactions between employers and superannuation funds, and has resulted in billions of dollars of savings.

However, most of the insurance-related data items under the SuperStream standard are optional, and an unintended consequence has been to reduce the amount of information used to support insurance design.

Superannuation funds often do not know when their members cease employment with their employer. As a result, other information such as period of inactivity (i.e., not receiving contributions) is used in place of a confirmation of termination.

Requiring employers to notify super funds of employment commencement and termination as an extension of their SuperStream obligations would provide a communication trigger for the super fund. This would improve member awareness of their insurance status and more accurately align that status with their employment status.

The Protecting Your Super and Putting Members Interest First initiatives announced in the 2018-19 Federal Budget as part of a package to reduce the incidence of duplicated and unnecessary insurance cover has resulted in savings from undue erosion by fees and insurance premiums. However, these legislated initiatives have also resulted in unwanted loss of insurance cover for some members.

The implementation of AIST's recommendation would provide a more accurate data set for super funds, particularly in relation to seasonal employees and those on extended leave, that would support better insurance design and member communications.

Recommendation 5	Make insurance-related SuperStream fields mandatory to improve insurance in superannuation

The gender lens: future superannuation policy changes and their impact on women

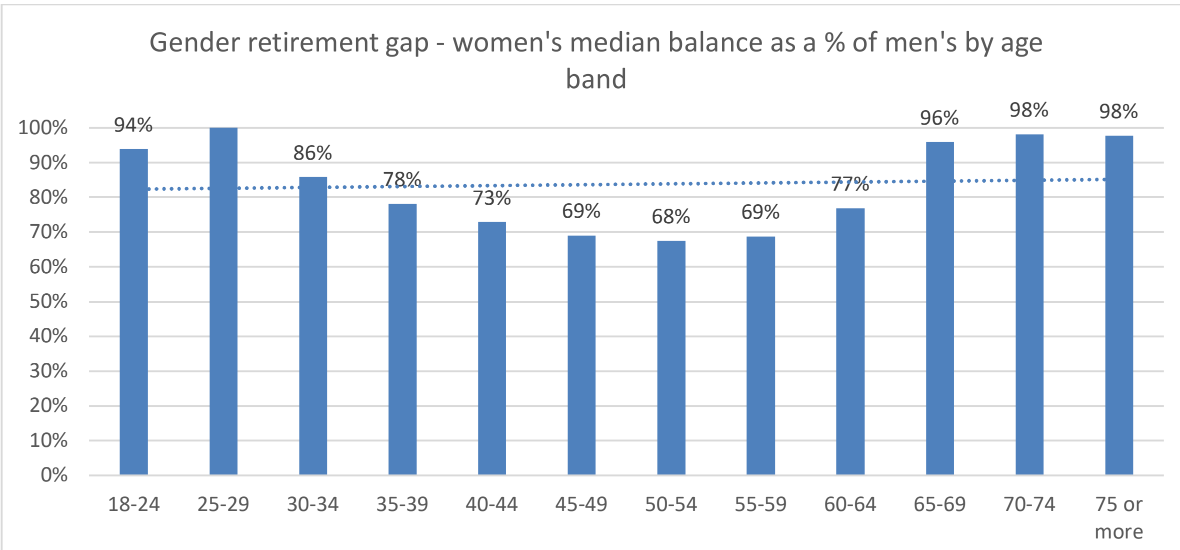
Several factors act against women reaching the best possible retirement outcomes, and the impact of tax, economic and social policy can have different consequences for women as opposed to men.

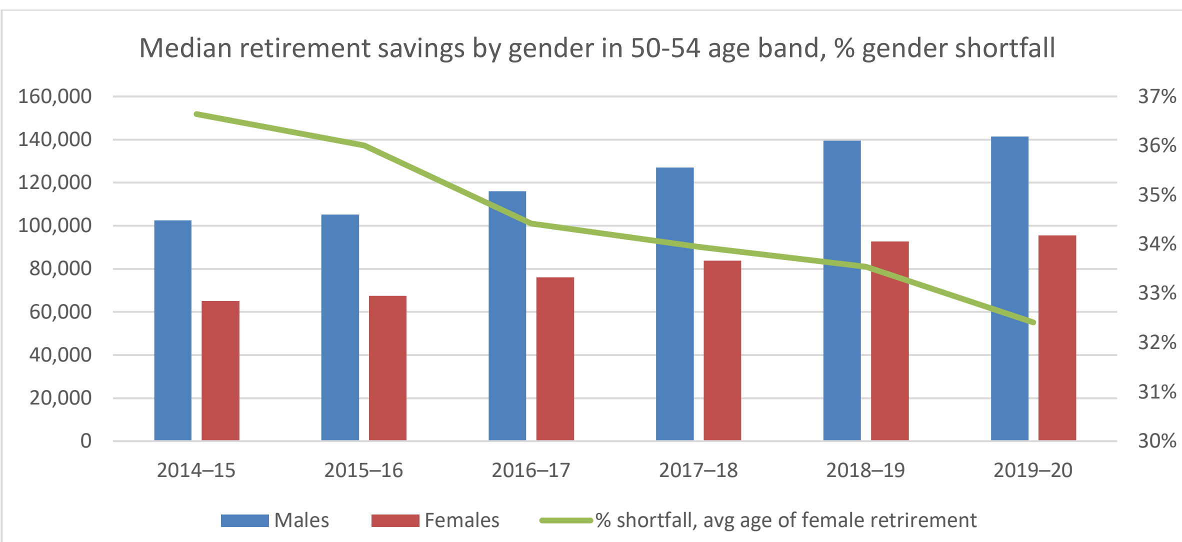
Currently, the gender super gap can be extrapolated from ATO data[8] that breaks down average and median superannuation balances by age and gender. Despite incremental improvements over recent years, women's balances remained at 79% of those of their male counterparts overall in 2019-20. The lowest savings gaps occur at the commencement of young people's working lives, before the impacts of career breaks start to drive a greater divide from women's early 30s, typically the age at which they have their first child, and for the remainder of their typical working lives. Its only after age 60 when men have begun to retire from the workforce that the gap begins

[8] ATO, *Taxation Statistics 2019-20* https://tinyurl.com/mr2exrza

to reduce once more. As the average age of retirement for women is 52[9] and female workforce participation drops markedly from the 55-59 age group onwards[10], this recovery in relative retirement savings can most likely be attributed to the proportion of women who are able to continue working into later life.

Despite the incremental improvement in women's retirement savings relative to their male counterparts over time, women retiring at the average age of 52 have superannuation balances close to a third (32%) lower than the average man of the same age.





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[9] ABS Retirement and Retirement Intentions, Australia https://tinyurl.com/24enn27k

[10] ABS Labour Force, Australia, Detailed https://tinyurl.com/29mrx53w

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While the ATO data does allow for some gender analysis within its broader reporting remit, no targeted gender super gap analysis is currently undertaken by Government. AIST recommends that the Government measure and publish the gender super gap each year and assess the impact that any future legislative changes to super would have on women.

The Workplace Gender Equality Agency already provides much needed analysis and insight about pay gaps so would be well placed to undertake an expanded role that includes super. This will allow their analysis to capture the full suite of workplace entitlements and individual company policies about superannuation that have a differential impact on women's retirement balances, including policies regarding parental leave entitlements, overtime and workplace co-contribution schemes.

Recommendation 6	Extend the remit of the Workplace Gender Equality Agency to measure and publish the gender super gap each year, and assess the impact that future legislative changes to super would have on women.

New datasets

Adequacy of Welfare Payments report

AIST welcomes the November 2022 announcement of the new Economic Inclusion Advisory Committee, which will be tasked with reviewing the adequacy of social security support payments every year before the federal budget and publishing their recommendations.

While we understand that the initial focus of the Committee will be Jobseeker payments and later extended to other payments, the Retirement Income Review highlighted the urgent need for reform in rental support for those on the Age Pension. Declining rates of home ownership hit age pensioners particularly hard as our current retirement income system assumes that retirees will own their own homes by the time they leave the workforce.

The Committee should be specifically tasked with assessing the effectiveness of measures to improve rental support for Age Pensioners and make further recommendations to improve effectiveness.

The Committee should review the interaction between involuntary retirement, Jobseeker, the Disability Support Pension (DSP) and the Age Pension. In high-risk occupations, there are many cases of individuals who involuntarily retire ahead of Age Pension age due to disability but are placed on Jobseeker while seeking to transfer to the higher rate of the DSP. Jobseeker is lower on the basis that recipients should be able to work and meet mutual obligation requirements.

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As noted in the recent Senate report *Purpose, intent and adequacy of the Disability Support Pension* some people have to withdraw their super while on Jobseeker while they wait to have their DSP approved. Fixing eligibility requirements, approval timeframes, supplement payments or payment amounts are all options to address adequacy for this group of retirees.

The Committee should also examine current levels of payments made to support those out of the workforce to undertake caring responsibilities, including those on Commonwealth and employer paid parental leave, parenting payment for those who are ineligible for paid parental leave, and carer's payments for those caring for people with a disability, illness or of frail-age. These roles overwhelmingly fall to women, contributing to the retirement savings gap. These people face the same challenge of rising living costs as other welfare recipients, while simultaneously being responsible for the care and welfare of at least one other person.

Recommendation 7	Membership of the Economic Inclusion Advisory Committee should include community advocates with specific expertise in relation to older Australians, and urgently examine adequacy of rental assistance payments for retired renters.
Recommendation 8	Review the interaction between involuntary retirement, Jobseeker, the Disability Support Pension (DSP) and the Age Pension.
Recommendation 9	Initiate an inquiry into current levels of Commonwealth and employer paid parental leave to assess if they provide sufficient support to parents, and to recommend potential reform options if they do not. The inquiry should also recommend policy options to boost the super savings of new mothers who may not be eligible for paid parental leave, and carer's who are out of the workforce to care for the elderly or infirm.

The economic and social impacts of menopause

AIST has recently made calls on Government to measure the impact that severe menopausal symptoms can have on women's decision-making around early retirement. Under our most recent estimates detailed in our current Pre-Budget Submission for 2023-24, menopause could currently be costing Australian women a collective loss of $15.2 billion in foregone income and super for every year of early retirement. Over an average 7.4 years of missed earnings opportunity, this amounts to an economic loss of $112.2 billion triggered by a normal biological process that affects every woman to some degree.

Assessments of work-life impacts on the gender retirement savings gap tend to focus on career gaps for child rearing or other caring responsibilities, lower full-time participation rates and prevalence of employment in lower-paid industries but have not generally considered reproductive health impacts on retirement decision-making.

Likewise, investigations into involuntary retirement have tended to focus on “poor heath” more broadly without teasing out the common factors that contribute to age-based disabilities significant enough to impact workforce participation, particularly where there is a demonstrable gender gap in health-related retirement ages. Such analysis is also relevant to the consideration of involuntary early retirement and welfare payments as discussed in the above section.

For this reason, AIST reiterates its call for the Government to undertake its own comprehensive analysis of the heath and economic impacts of menopause on women’s workplace participation and retirement decisions. Improving our understanding of this critical women’s health issue is likely to lead to important policy developments in health, social and workplace support and lead to measurable participation outcomes.

Recommendation 10	Request the Office for Women to measure and report on the extent to which menopausal symptoms impact women’s employment and retirement decisions, and how these impact their super balances and retirement incomes.

A Federal Government data-sharing framework

The introduction of a Retirement Income Covenant into the SIS Act, and the requirement for super funds to publish their Retirement Income Strategy from 1 July 2022, presents an ongoing opportunity to integrate data-sharing capabilities that would enhance superannuation funds’ ability to tailor retirement strategies for its members.

AIST believes that establishing a robust data-sharing framework for bodies like the ATO to release de-identified data would assist trustees with their obligations.

Having access to other de-identified data sets, including those from Services Australia (e.g., Centrelink payment statistics, Child Support statistics, etc.) would provide a clearer stream of information that will assist trustees determine the key characteristics of cohorts of their membership and any sub-classes within it.

This would be in addition to the proposed expansion to superannuation of the Consumer Data Right (CDR). AIST supports this expansion but notes the benefit would likely be limited to members who are actively engaged with their finances over more disengaged members, or members who are vulnerable and may not be able to engage with CDR.

Recommendation 11	Establish a Federal Government data-sharing framework to support the implementation of the Retirement Income Covenant