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By online submission

Senate Economics References Committee inquiry on improving consumer experiences, choice, and outcomes in Australia's retirement system

About the Super Members Council

We are the collective voice for more than 10 million Australians who have over $1.45 trillion in retirement savings managed by profit-to-member superannuation funds. Our purpose is to protect and advance their interests throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective, and equitable.

Super Members Council (SMC) thanks the Senate References Committee for the opportunity to make a submission to this inquiry.

This submission focusses on several areas of the terms of reference. In particular on the retirement phase of the superannuation system, current system settings, and areas for improvement.

Some of the material contained within is also being explored through SMC's contributions to other government consultations and inquiries.

While we have sought to minimise duplication, there is inevitable crossover in the evidence and themes.

Recommendations are outlined in the sections to which the recommendation relates, and in the summary of recommendations section.

Overview

Australia's world class superannuation system has given millions of everyday Australians the opportunity to build wealth and look forward to a financially secure and fulfilling retirement that they otherwise would not have had.

Superannuation coverage has grown from 30 per cent of employees in the mid-1970s to over 90 per cent now, most notably with the introduction of the Superannuation Guarantee (SG) in 1992.

The median balance at retirement currently is about $200,000[1], but a 30-year-old today earning the median wage can expect to reach retirement with about $500,000[2] (in today's dollars), thanks to compulsory superannuation. For a couple on median earnings, super will deliver a retirement uplift around 50 per cent higher than the maximum Age Pension.

It will achieve this at a significantly lower fiscal cost than a taxpayer funded increase in the Age Pension to an equivalent level[3]. The preservation rules are central to these outcomes.

Our system is ranked as one of the best pension systems globally in terms of sustainability, adequacy, and integrity.[4]

As Australia's population ages and an ever-greater share of the population transitions from work to retirement, the superannuation system must evolve too to be a robust source of retirement income which inspires confidence in the system.

In aggregate terms, super's paid-out benefits at retirement are now almost double that of the Age Pension annually.[5] Spending on Age and Service Pension is projected to fall from around 2.3 per cent of GDP in 2022–23 to 2.0 per cent of GDP in 2062–63.[6]

While reliance on the Age Pension will decline, it will still form a key pillar together with super savings for many Australians' retirement incomes.

Notwithstanding the system-level success so far, the benefits experienced at an individual level do vary particularly for those who have not received contributions for their whole working life. For example, for those who entered the workforce before the SG, their contributions have averaged much less than the current legislated minimum of 11 per cent.

In addition, there are system inequities which must be addressed to improve the retirement experience of some cohorts. For example, women are retiring with significantly less than men on average, and workers on low incomes pay more tax than they should.

This submission looks at some areas to consider improving consumer experiences, choice, and outcomes in Australia's retirement system. These are:

– the retirement phase of superannuation,

– the importance of preserved savings and the Age Pension

– fixing system inequities to improve the retirement experience for more Australians

– improving customer service.

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[1] SMC analysis of the ATO 2% sample file.
[2] SMC projections for a person in the 50th wage percentile with a 37-year working career, legislated SG contributions, wages growth of 4% per annum and a fund net crediting rate of 6.92% per annum. Figures are wage deflated.
[3] Rice Warner Actuaries - Retirement Income Review Fiscal Results September 2020 (net budget savings of $17.3bn in 2020 rising to $98.6 bn in 2058 current $)
[4] For example, see: Mercer Global Pension Index 2023 https://www.mercer.com/insights/investments/market-outlook-and-trends/mercer-cfa-global-pension-index/
[5] Portfolio Budget Statements, Department of Social Services, 2022-23 - Age Pension expenditure $54bn. APRA Annual Superannuation Bulletin, 2023 - super pension $64bn and retirement lump sum benefits $39bn.
[6] Intergenerational Report 2023, The Treasury, 2023.

Summary of Recommendations

SMC's recommendations are based on the fundamental principle that any changes to the superannuation system should be based on evidence of improved retirement outcomes for members. Any proposed changes must also protect the financial flexibility and independence that current and future retirees have gained after decades of compulsory saving.

Retirement Phase

1. The Government should expedite quality of advice reforms that will allow funds to provide low cost and no cost simple advice tailored to members' circumstances, including:
    a. Removing regulatory barriers to improved and increased use of digital solutions and tools to maximise total retirement income, including integrating government supports such as the Age Pension into tailored projections;
    b. Regulatory changes to allow funds to make nudges and prompts to members and provision of retirement income estimates simply.
2. Simplify language and product complexity for members making the transition into retirement including allowing members to make employer contributions to their retirement accounts rather than setting up separate accounts for this purpose.
3. Allow increased data sharing and integration between government and superannuation to improve member outcomes and reduce paperwork for members.
4. Ensure members continue to have flexibility in how they access their savings but provide tools and guidance to members to optimise their retirement income.
5. There should be quality assessment metrics for the retirement phase that support transparency, competition and provide confidence to members they are in quality products that is right for them.

Preservation and role of Age Pension

6. Preservation rules are essential for ensuring the superannuation system achieves its objectives. Early release conditions should not be expanded beyond the existing stringent rules.
7. The means tested Age Pension is a critical pillar of the retirement income system and will need to continue to work alongside the super system to deliver Australians retirement income security.

Addressing system inequities

8. The Government should continue to pursue measures to close the gender super gap including paying super on the Commonwealth Paid Parental leave Scheme.
9. The Government should ensure low-income earners get a fairer deal from super tax concessions by adjusting the level and thresholds of the low income super tax offset in line with changes in the SG and personal income tax scales.

Customer Service

10. Creating a simple and digital binding death nomination form – which would eliminate the need for submitting hardcopy forms with dual signatures from two witnesses.
11. Ensuring all ID documents issued by States and Territories are included in the Government's digital verification service and that the detail on death certificates is enough to process claims.
12. Legally recognising Indigenous kinship arrangements and culturally adopted children as death beneficiaries.
13. Strengthening integration between the Australian Tax Office, Services Australia and super funds. This could enable a super fund member's eligibility for financial hardship payments to be confirmed quickly (by the ATO) and enable details to be shared (with the consent of super fund members) of their eligibility for the Age Pension or other government payments.

1. Retirement phase of superannuation

The primary purpose of the superannuation system is to provide retirement income to Australians.

The starting point of improved policy settings is to properly understand the circumstances of Australians approaching or in retirement, including what are rational behaviours in the face of system complexities and individual uncertainties. SMC developed a suite of new insights and analysis as part of our work on current retirement settings.

These insights formed the evidence base for recommendations to improve consumer experiences in superannuation. We provide a summary of these in this section.

SMC insights about Australians' retirement experiences

- **Member experiences are diverse and vary across fund membership:** While most Australians approaching retirement expect to retire at 67 (at which point they are eligible for the Age Pension), one third have accessed their super by 63 and one in four are still working in their early 70s. More than half of the retirees who leave portions of super in the accumulation phase do so deliberately, to be used as a financial backstop or because they have other sources of income rather than due to a lack of engagement. They also have lower balances on average. This reflects diversity in retirement experiences and that a one-size-fits-all approach is not sustainable in the long term.
- **The transition to retirement is not linear:** The transition to retirement is not a point in time. Many members move in and out of the workforce, either choosing to carry on working in some capacity or being forced to do so due to lower levels of retirement savings.
- **Australians are making the most of their super:** Fund data reveals that members are not bequeathing their super balances - they are spending it. Two thirds of members drew down more than the minimum in 2022-23 – on average 40 per cent more than they are required to, even before considering lump sum withdrawals. ABS data reveals 90 per cent of women and 80 per cent of males have no super left as they approach life-expectancy age.

- Member engagement can improve: Many members have a limited understanding about how to get the most out of super in retirement with less than half confident they understand account-based pensions and annuities. Australians approaching retirement want more information and advice: 73 per cent of members would trust advice from their super funds if it were specifically tailored to their circumstances.[7]

Improving member experiences through greater choice and support

In light of these new insights into Australians in and approaching retirement, there are a number of recommendations that may improve member choice and experience in the superannuation system. These are:

- More Support: Government should progress Quality of Advice Reforms that will allow super funds to provide low cost and no cost advice to members tailored to their circumstances. This should be progressed as soon as possible while further developing improvements to the retirement income system. Super funds should be supported by government to be innovative by:
  - Removing barriers to the increased and improved use of digital solutions.
  - Pursuing regulatory settings that encourage the development of tools to maximise total retirement income. This includes optimising drawdown rates, better integrating government supports (such as the Age Pension) and providing tailored retirement income projections.
  - Making regulatory changes to allow funds to provide useful nudges, and use of retirement income estimates, without providing personal advice.
- Simpler System: Reduce complexity with clear language, user-friendly tools, and streamlined processes.
  - The path to retirement should be as simple and straightforward as possible for members and designed on the principle that it should require the smallest number of actions by a member.
  - Language to describe approaches and strategies in retirement need to be improved, such as focusing on 'prompts/nudges' and 'suggested options/pathways.' There should also be consistent use of language by funds and government and across products. This would include consistency in the definition of accounts, products, and options.
  - Allow retirees to make contributions into their existing 'account-based pensions' in line with existing contribution rules. That is, remove the current requirement to open a separate accumulation account, including members over the age of 75.
- Integrated Approach: Connect superannuation and government systems for smoother transitions and better support.
- Data Sharing: Use data from both funds and government to improve member outcomes and reduce friction points.
  - A two-way data-sharing arrangement between super funds and government agencies (e.g. Centrelink, Department of Veterans Affairs, ATO) should be introduced to improve member outcomes (e.g., advice when a member commences

[7] Susan Bell research, September 2023.

an Age Pension or other form of government support).

- Flexible & Tailored Options: Maintain flexibility while offering guidance on optimal drawdown rates and product choices.
  - Product and drawdown flexibility is a benefit of account-based pensions that should be maintained, but consideration should also be given to developing suggested drawdown rates and product configurations for specific classes of members.
- Quality assessment in the retirement system for informed choice: A quality assessment filter of retirement products should be developed.
  - There is an important role for competition and product comparison to encourage choice, while ensuring consumer protection. Appropriately designed quality filters can improve trust and confidence in the system and enable individuals to assess performance, value for money and reliability of retirement income products and make more informed decisions relevant to their retirement objectives and circumstances, ultimately enhancing confidence in their decision making. They also enhance consumer protections and provide assurance that products meet minimum standards by weeding out substandard products from the market and enhance competitive tensions and system efficiency.

2. The importance of preserved savings for retirement

The success of the system so far has been built on foundation principles – preservation is at the heart of these. Maintaining preservation rules is important to underpin the continued growth and evolution of the system as it supports greater numbers of Australians moving from saving to spending mode.

Since inception, preservation was a key design feature of the system's architecture for good reason:

- First, it supports retirement planning for those who are disengaged from the system. The Retirement Income Review (RIR) showed that preserved savings, combined with compulsion, allows people to enjoy a higher income (and living standard) in retirement – one that is closer to what they were earning before they retired.[8]
- Second, it means funds can make long-term investment decisions with confidence (including higher allocations to growth assets), leading to higher risk-adjusted returns for members and more money in retirement.
- Third, compound investment returns on contributions together with tax concessions provide additional incentives for long-term private savings. This significantly reduces pressure on the social security system saving taxpayers money and improving the government's fiscal position.

Strong preservation rules reinforce the primary purpose of superannuation to defer income to provide financial security and wellbeing in retirement.

The impact of preservation and benefit of compounding interest is highlighted in the following snapshot analysis (see full analysis at ATTACHMENT A)[9]:

- Compound earnings make up about three-quarters of an individual's retirement balance.
- The COVID-19 early release of super (ERS) scheme is forecast to cost taxpayers an extra $80 billion by the end of this century.
- A 30-year-old who accessed $20,000 under the ERS scheme could be $92,000 worse off at retirement.

Currently the system provides for the early release of super in circumstances of severe financial hardship and on compassionate grounds.

Policies expanding the grounds for early release - be it for housing, purchasing household appliances, or to deal with immediate cost of living pressures - would similarly result in lower individual retirement balances and increased pressure on the tax-funded Age Pension.

SMC is opposed to further relaxation of the early release rules because

- it would be contrary to the purpose of superannuation, and
- there is strong evidence to show members are better off with preservation intact.

Australians agree super is for retirement

Recent consumer research shows 78 per cent of Australians agree that providing income in retirement is the purpose of super and 68 per cent consider that one of the great things

[8] The Treasury, Retirement Income Review – Final Report, November 2020, page 18.
[9] See full analysis in SMC submission to the *Superannuation (Objective) Bill 2023* inquiry.

about the Australian superannuation system is that it supports them to save without having to think about it.[10]

Proposals to allow the early release of super for a house deposit or other expanded uses represent a fundamental breach with the purpose of the system and Australians' clear understanding of that purpose.

There is strong evidence to show the detrimental effect on Australians of proposals to tap into super for housing.

In short, permitting the early release of super for a house deposit would lower retirement incomes, worsen housing affordability, and increase reliance on the Age Pension (and raise the tax burden on future generations).

The next section looks at a small sample of this evidence.

Super for a house

The acute challenge of housing unaffordability and the decline in home ownership among young Australians has led some to propose early access to superannuation as a solution.

But using super for this purpose will not meet improve housing accessibility. In fact, it would make it worse.

There is widespread agreement among housing experts that the primary causes of housing affordability issues are chronic supply issues – including land supply, zoning, planning and development issues.

Research shows that using super for housing would inflate house prices and ultimately worsen affordability.[11]

Research conducted by the McKell Institute found:

- If buyers accessed between $10,000-$30,000 in superannuation savings to purchase a house, it would have no material impact on the overall rate of home ownership.[12]
- If buyers had access to $60,000 and above in superannuation savings to allocate towards home ownership, more buyers may purchase a home, but it would place significant inflationary pressure on house prices in Australia's major cities.[13]

The report also highlights the transformative power of compound interest in super over several decades that delivers the strong returns Australians expect for retirement, in particular:

- Super-for-housing would lead to an increase in household indebtedness.
- Cash invested in home ownership is likely to compound at a lower rate than that invested in superannuation based on past performance.
- Over time, many people would end up worse off financially by diverting cash from their super accounts into earlier home ownership.

Another analysis showed similar results. Couples accessing just $40,000 of their super for a house could hike major capital city median property prices by between 8-16 per cent.[14]

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[10] UMR research, March 2023.
[11] The McKell Institute, *Mortgaging our Future: The effects of super for housing policies on Australian property prices and financial health in retirement*, December 2021.
[12] Ibid.
[13] Ibid.
[14] Industry Super Australia, media release, 15 May 2022.

Fuelling demand would worsen affordability issues caused by supply challenges

There is no public policy rationale for seeking to weaken the success of the superannuation system as it evolves so it can deliver better retirements for more Australians to solve the dire problem of housing affordability. The evidence is clear that it would worsen the outlook for Australians on both fronts – wrecking the super system and making houses more expensive.

In 2022, Rafal Chomik, Senior Research Fellow at the ARC Centre of Excellence in Population Ageing Research (CEPAR), in UNSW Business School stated:

> There is a concern that super is sometimes used as a cash cow to deal with broader problems. During the COVID recession, the government was encouraging withdrawals from super instead of doing more to strengthen the social safety net. Super is now being touted to fix housing affordability, which it won't.[15]

Ray White chief economist Nerida Conisbee has also said:

> The family home is not an asset that can be easily cashed in at retirement. Using superannuation from early on in a person's life cycle for a home can also lead to far less at retirement, particularly if the family home can't be easily sold to downsize or does not increase in value as hoped.[16]

In his submission to a Senate Inquiry on housing affordability, Saul Eslake, former Chief Economist at ANZ stated:

> It's hard to think of any government policy that has been pursued for so long, in the face of such incontrovertible evidence that it doesn't work, than the policy of giving cash to first home buyers in the belief that doing so will promote home ownership… and it is pretty obvious why. Cash grants and other forms of assistance to first home buyers have served simply to exacerbate the already substantial imbalance between the underlying demand for housing and the supply for it.
>
> In those circumstances, cash handouts for first home buyers have simply added to upward pressure on house prices, enriching vendors (and making those who already own housing feel richer) whilst doing precisely nothing to assist young people (or anyone else) into home ownership.
>
> For that reason, I often think that these grants should be called 'Existing Home Vendor Grants' – because that is where the money ends up – rather than First Home Owners' Grants.[17]

Modelling by The Australia Institute[18] shows first home buyers are better off leaving their money in superannuation rather than using it to buy a house. The modelling shows that if someone ten years ago:

– had left $50,000 in their superannuation, it would have increased to $126,539 by 2022.

– invested $50,000 into housing, that investment would be worth $91,579 (based on the weighted average for the eight capital cities) by 2022.

3. The Age Pension combined with private savings is a key pillar within the retirement system

For an increasing number of retirees, super – in combination with the Age Pension – allows them to set their retirement date and provides a level of financial security and comfort that was out of reach before compulsory super.

While the median retirement balance will increase from about $200,000 today to more than

[15] UNSW Sydney, Is using super to buy a house a good idea? Published 18 May 2022.
[16] ABC News, Should you leave your money in superannuation or put it towards a deposit for a first home? Published 17 May 2022.
[17] Saul Eslake, 'Australian Housing Policy: 50 Years of Failure', Submission to the Senate Economics References Committee, 21 December 2013, https://www.aph.gov.au/DocumentStore.ashx?id=99cfa3f6-858f-467d-91a9-31e384534a5e&subId=31798.
[18] ABC News, Should you leave your money in superannuation or put it towards a deposit for a first home? Published 17 May 2022

double that when the system is mature most Australians will continue to rely to some degree on the Age Pension. The importance of the interaction between the Age Pension and superannuation is emphasised by the Government's proposed objective of superannuation.

The inclusion of Government support in the proposed Objective of Superannuation reflects the crucial link between superannuation policy and government support. Policy makers need to consider this interaction in making policy decisions relating to superannuation. While the Objective Bill is still before the Parliament, it nonetheless confirms the criticality of the Age Pension's interaction with superannuation.

The assumptions (including indexation factors and optimal drawdown rates) embedded in ASIC's Money Smart calculator demonstrate that single retirees without other significant assets beyond the family home – even those whose Transfer Balance Cap is at the maximum level of $1.9 million - can expect to receive the Age Pension if they have an average life expectancy.

Further, super was never designed to make everyone self-funded (contribution levels would need to be much higher) but has successfully reduced reliance on the Age Pension – a trend forecast to continue. This is evidenced by the following:

- The proportion of retirees on the full-rate pension has declined from 55 per cent in 1998 to around 40 per cent today.
- The impact of the SG is best shown when looking at *new* retirees where the proportion eligible for any pension has declined from 68 per cent for males and 74 per cent for females 20 years ago to only 45 per cent (both genders combined) in 2018.[19]
- The Intergenerational Report showed the proportion of retirees on a full rate will halve again to around 20 per cent over the next 40 years.

The Intergenerational Report found as the system continues to mature Age Pension expenditure as a share of GDP will decline despite the ageing population.

Voluntary savings

Voluntary savings are also one of the key pillars of the retirement income system, enabling those with the financial capacity, to contribute more to their superannuation and build up a bigger nest egg. However, for those with less financial capacity to save, the Age Pension remains a critical pillar.

A couple of factors tend to dictate which groups are able to contribute more and how much.

Income is one, with SMC analysis of the ATO sample file showing people on lower incomes form a much lower proportion of those who make voluntary superannuation contributions, while higher income people form a much higher proportion reflecting their capacity for sustained savings on top of compulsory contributions.

The other is age, with a high proportion of pre-retirees (55-65 year olds) relative to other age groups tending to make more voluntary contributions, understandable given they are nearing retirement and are more engaged in retirement planning.

4. Fixing system inequities

Further steps should be considered to improve the equity of the system because some

[19] Earlier figures are based on SMC analysis of Department of Families, Community Services and Indigenous Affairs, Statistical Paper No. 1 - Income support customers: a statistical overview 2002; and ABS National, State and Territory population (Cat. No. 3101.0). Later figures are sourced from Challenger, Retirement Income Research.

groups of Australians are retiring with less money than they otherwise should.

This in turn affects their ability to fully participate economically and socially in retirement to their highest potential.

In addition, equity is important so all Australians can have confidence in the system and see clearly that it works for them.

We focus in this section on improving retirement outcomes for women and those on low incomes, but work is also needed to improve the system for young workers, Australians with a disability, and First Nations Australians. We explore some of these issues in SMC's pre-budget submission (ATTACHMENT B).

Improving retirement for women

Women on average live longer than men, receive significantly less super than men across their working lives and retire with a third less super. This pattern is systemic – consistently observable across every Australian state and territory and in every age cohort over 30. Unless there is a focus on closing the gender super gap, it will persist into the coming decades.

The key drivers of the gender super gap are inequalities that impact women's working lives. This includes lower wages, more time spent out of the workforce with carer responsibilities, as well as super tax settings that magnify these differences in lifetime savings.

> Figure 1 shows this trend becoming evident around the age of 30 when women take time out of work and reduce their hours to have and care for children. The gap continues to increase until women are in their early 50s, when it is more common to care for ageing family members.
>
> Figure 2 confirms the gap between all male and female median super balances exists across every Australian state and territory.

These findings are consistent with research that indicates the most significant drivers of the gap are due to inequality during women's working lives. This includes factors such as:

- Women's lower workforce participation rates compared with men
- Female dominated industries and jobs attracting lower wages
- The gender pay gap
- Lack of workplace flexibility to accommodate caring responsibilities
- Discrimination and bias in hiring and pay decisions
- Social norms around unpaid caring responsibilities.

How we can help close the super gender gap

Figure 1: The gender super gap by age, based on median balances

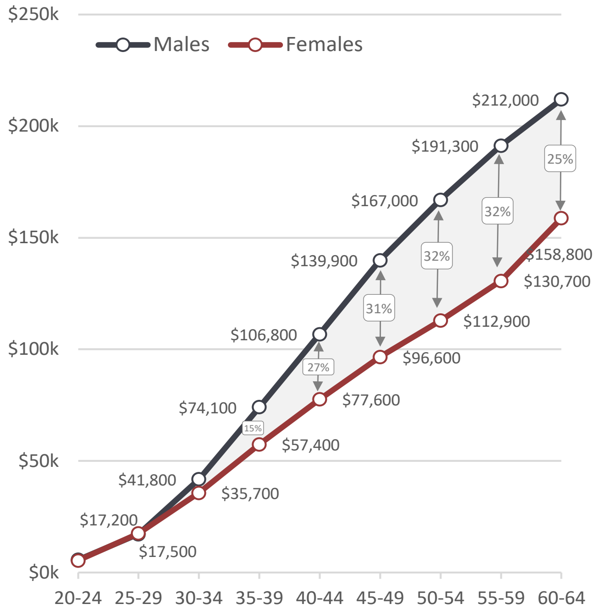
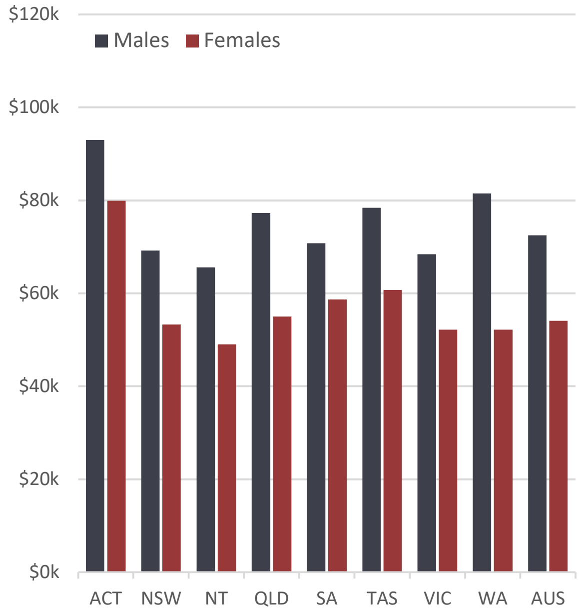


Figure 2: The gender super gap by jurisdiction, based on median balances



Source: ATO Taxation Statistics, 2020-21

Paying super on Parental Leave Pay is an effective equity measure to ensure the retirement savings of working mothers keeps pace with men.

SMC analysis shows that:

– The gender super gap for women in their 30s has failed to narrow compared to other age groups over the last decade, indicating that the loss of super while caring for children is a significant contributing factor to the problem.

– a mother of two who received super on the Government's Parental Leave Pay Scheme would be $12,500 to $14,500 better off in retirement. With the typical woman retiring with a bit over $50,000 less than their male counterpart, this would make a meaningful reduction in their super gap.

Parents have missed out on $2.5 billion in super contributions since the introduction of Paid Parental Leave, the majority of which would have accrued to women.

Women also receive a lower proportional tax benefit than the assets they have in the system - essentially amplifying the external inequities coming into the super system. For example, while men represent 51.5 per cent of taxpayers with super balances, they receive 59.8 per cent of the tax concessions. Whereas women are 48.5 per cent of taxpayers with super balances but receive only 40.2 per cent of the tax concessions. The current settings particularly disadvantage lower-income earners, especially women, who may experience situations where contributions do not attract any concession relative to wage income, and earnings may in fact be taxed more highly in super than if held directly.

Improving retirement for low-income earners

While superannuation's transformational effects significantly boost the retirement incomes of workers on lower wages, more needs to be done to make the system fairer because they currently pay more tax than they should.

Low-income Australians are financially better off in retirement with compulsory superannuation, rather than relying on the Age Pension alone. SMC analysis shows those earning the minimum wage could expect to see an increase in disposable income in retirement of around 35 percent above the Age Pension (full rate) as a result of SG contributions during working life.

Financial benefits flowing from rises in the legislated SG rate benefit a higher proportion of those on lower incomes. For example, research undertaken back when the SG increased from 9.5 to 10 per cent showed 63 per cent of those who benefited were on wages below $70,000.

But despite these benefits, many low-income earners are paying more tax than they should because the low income super tax offset (LISTO) is not indexed – it has not kept pace with the change in income tax brackets or the SG rate.

Tax cuts and the welcome legislated increases in the SG rate now mean that many individuals in the second tax bracket are no longer eligible for the LISTO, and those that are eligible are not receiving a full refund of the tax paid on their contributions, meaning they pay more tax on their super than their take home pay. This does not align with the broader concessional nature of superannuation, compensating people because they are 'forced' to save through compulsory superannuation with access limited until retirement age.

Realigning eligibility and increasing the offset amount through minor adjustments to the framework will go some way to making super tax settings fairer for low-income earners.

Changes needed to ensure LISTO operates as originally intended

	SG rate	Legislated		Revised Policy	
		Amount	Threshold	Amount	Threshold
2023-24	11.0%	$500	$37,000	$750	$45,000
2024-25	11.5%	$500	$37,000	$780	$45,000
2025-26	12.0%	$500	$37,000	$810	$45,000

SMC recommends that implementing a few targeted changes would assist in closing the savings gap and improving retirement outcomes for more women. Using cameo modelling SMC analysis shows that:

- Increasing the low income superannuation tax offset (LISTO) so workers earning up to $45,000 receive a full tax offset on their SG contributions. This change would boost the super of more than 1.2 million Australians – 60 per cent of whom are women – by an extra $500 million in the 2025-26 financial year alone.
- Improvements to LISTO and paying super on Commonwealth parental leave could boost the super balances of the lowest paid women by 21 per cent.

5. Customer service

Australia's super sector is deeply committed to ensuring the highest standards of customer service.

Super funds answer millions or member contacts every year – by phone, online, email and social media.

Most insurance and death benefits claims are relatively straightforward to resolve. However, in complex cases, legal obligations require funds to undertake meticulous checks before payments can be made. For example, where there are multiple death benefit claimants, complex relationship histories, or where there is no binding death nomination.

Consumer research shows the vast majority of Australians hold a positive view of their fund's customer service, but the sector continuously strives to do better to ensure it meets the evolving needs of members.[20]

There has been an increase in super-related complaints to the Australians Financial Complaints Authority (AFCA) in recent years, prompting further significant work to improve customer service.

Each super fund approaches how they service the needs of their members differently, based on deep knowledge of their own members. Recent examples of initiatives some funds have taken to strengthen customer service and some regulatory barriers the Australian Government could remove to help ensure continued swift processing and the highest standards of service and outlined below.

What funds are doing to strengthen and streamline customer service

Insurance Claims Handling and death benefit payments

Most insurance and death benefit payments are relatively straightforward – and, in these cases, super funds are acutely aware that anything less than a quick and easy process to resolve insurance and death benefit claims could lead to further distress for members at an already deeply traumatic time.

Many funds are actively strengthening their claims handling and identifying points of friction and how these can be managed better.

These include:

- Speed of processing improvements
    - Process improvements in back end such as digitisation and automation
    - Re-examining processes used to identify possible beneficiaries to streamline
    - Greater visibility of process within insurers
    - Regular escalation meetings for claims that are delayed
- Technology improvements and the visibility of claim status:
    - Investigating status trackers (similar to AustraliaPost parcel tracker) that allow

[20] Essential, November 2023: 68 per cent rate the customer service of their fund positive or excellent, only 3 per cent rate it negatively

members to have visibility of where their claim is in the process
    - Greater insights via technology into how members are making lodgements, to continuously improve their experience
    - Plans for increased digitisation and process automation to increase the speed of case resolution.
- Member support improvements:
    - Dedicated in-house claims assessors
    - Bereavement centres which process death benefits in the trustee office rather than administrator
    - Proactively overseeing claims and keeping the member regularly updated on the progress of their claim until a decision has been made.
- Payment of death benefits:
    - Providing clear guidance at the commencement of the processes as to timeframes and documentation required to complete the death benefit claim
    - Reassessing processes to ensure that documentation can be provided as early as possible to expedite payment
    - Introduction of digital platforms to reduce paperwork.

Supporting members in vulnerable circumstances

Funds have undertaken work to improve the experiences of members in vulnerable circumstances. These are people that, for a variety of reasons, may face additional challenges when interacting with their fund. Initiatives include:

- Creation of senior role that acts as a member advocate
- Specific training for staff on cultural awareness, domestic violence and other specific areas that may put a member in a vulnerable position
- Visits to remote and regional communities to support First Nations members in a fund agnostic way
- Product design and communications that cater for members in vulnerable circumstances.

Removal of regulatory barriers to improve customer service and retirement experience

- **Creating a simple and digital binding death nomination form:** This would eliminate the need for submitting hardcopy forms with dual signatures from two witnesses. Allowing this to be done electronically similar to the new online statutory declaration form would make the process easier for members. This would require a change to SIS Regulation 6.17A.
- **Ensuring all ID documents issued by States and Territories are included in the Government's digital verification service and that the details on death certificates is sufficient to process claims.** For example, Tasmanian death certificates do not include the cause of death while this is required information for most death claims. In addition, identification is required to pay a benefit or insurance claim, but state issued proof of age cards which are the main source of photo ID for an increasing number of older members are not included in the

digital verification system (DVS), requiring hard copies to be provided and certified which delays processing. Adding this ID to the DVS would reduce friction and speed up processing.

- Legally recognise Indigenous kinship arrangements and culturally adopted children as death beneficiaries.
- Strengthen the integration between the ATO, Services Australia and super funds. This could enable a super fund member's eligibility for financial hardship payments to be confirmed quickly (by the ATO) and enable details to be shared (with the consent of super fund members) of their eligibility for the Age Pension or other government payments so super funds can help their members plan even more effectively for retirement (Services Australia).

Attachments

A. SMC submission to Superannuation (Objective) Bill 2024 Senate Economics Legislative Committee Inquiry

B. SMC Pre-budget submission 2024-25