



Submission to the Productivity Commission on how to assess the competitiveness and efficiency of the superannuation system

9 September 2016

About us

The Australian Association of Gerontology (AAG) is Australia's peak national body linking professionals working across the multidisciplinary fields of ageing. Since 1964, we have connected professionals to help them connect and collaborate on evidence based approaches to ageing. AAG's goal is to expand knowledge of ageing in order to improve the experience of ageing. With over 1,000 members across every State and Territory in Australia, our members include researchers, geriatricians, nurses, allied health professionals, aged care practitioners, policy makers, financial advisers and other gerontology experts. AAG has 17 Collaborating Research Centres that represent all major research in ageing in Australia.

Comprehensive review of the retirement income system needed

The National Aged Care Alliance (of which AAG is a sponsor) has called for an independent, comprehensive review of the retirement income system, which considers the interaction between superannuation, pensions, financial products, taxation and living expenses.¹ AAG strongly endorses this call.

AAG welcomes this discussion about the superannuation system but considers it should occur as part of a comprehensive review of the retirement income system. Looking at superannuation in isolation will result in piecemeal policy, which may result in unintended and inequitable outcomes.

Meeting member preferences and needs (objective 4.3)

AAG supports the Productivity Commission's proposed objective 4.3:

*'the superannuation system meets member preferences and needs, in relation to information, products and risk management, over the member's lifetime.'*²

We believe that the overall objective of the retirement income system should be **to provide an adequate standard of living in older age**. The concept of 'standard of living' encompasses consideration of income, assets, taxation and living expenses.

¹ NACA, [Enhancing the quality of life of older people through better support and care](#), NACA Blueprint Series, June 2015

² Productivity Commission, [How to assess the competitiveness and efficiency of the superannuation system: draft report](#) August 2016, page 68.



An efficient superannuation system should contribute to this overall objective, including by offering opportunities for life-cycle consumption smoothing to address longevity risk and associated expenses (such as housing, health and aged care costs).

Addressing inequity

In Australia, a greater proportion of older women live in poverty (35.7%) than men (31%).³ New data from the Australia Taxation Office shows that low-paid women have 42% less superannuation than men on the same income.⁴ There is evidence that the risk of inadequate income in retirement is higher for Aboriginal and Torres Strait Islander people.⁵ The risk may also be higher for older people with special needs, such as and lesbian, gay, bisexual, transgender and intersex people.⁶

AAG suggests that '**addressing inequity**' should be an explicitly stated objective of the superannuation system. This would provide the flexibility to create rules that assist specific groups of people (e.g. recognising that women often take time out of the paid workforce to care for children and other family members).

Longevity risk includes risk of disability

Longevity or 'life expectancy' measures how many years on average a person can expect to live. The term 'healthy life expectancy' is used to describe the expected years spent in various health states, such as years with disability.

In 2012, males at age 65 could expect to live an average 8.7 years without disability and another 10.4 years with some form of disability, including 3.7 years with severe or profound core activity limitation.⁷ Females at age 65 could expect to live 9.5 years without disability and another 12.5 years with some form of disability, including 5.8 years with severe or profound core activity limitation.⁸

The risk of living longer than anticipated and/or the risk of living with some form of disability both have important implications for the amount of superannuation required. In particular, living with some form of disability is likely to result in higher living expenses (such as housing, health and aged care costs).

³OECD, [Pensions at a Glance 2015](#): OECD and G20 indicators, OECD Publishing, Paris at chapter 8.

⁴ Medhora, S 2016, '[Low-paid women have 42% less super](#),' The Guardian Online, 5 April 2016.

⁵ Bianchi, RJ, Drew, ME, Walk, AN and Wiafe, OK 2016, [Retirement adequacy of Indigenous Australians](#), CSIRO-Monash Working Paper No. 2016-1, Griffith University

⁶ Nine groups of people with special needs are identified in [Section 11.3 Aged Care Act 1997](#)

⁷ Australian Institute of Health and Welfare 2014. [Healthy life expectancy in Australia: patterns and trends 1998 to 2012](#). Bulletin no. 126. Cat. no. AUS 187. Canberra: AIHW.

⁸ Ibid



Ageing research required

AAG strongly believes we need ageing research that will deliver evidence-based solutions for the superannuation issues affecting older Australians. We recognise the complex multi-factorial causality of age-related issues, including longevity risk and associated expenses (such as housing, health and aged care costs). Therefore, ageing research in relation to superannuation requires a multidisciplinary approach that builds research capacity and collaboration across relevant sectors (such as health, aged care, housing, financial and policy).

Further information about ageing research strategy is available in our [submission to the Medical Research Future Fund](#).

Consumer information required

The Productivity Commission's *Draft Report* acknowledges that:

- life-cycle consumption smoothing in superannuation is driven by member decisions that reflect (among other things) their attitude toward longevity risk.⁹
- the provision of high-quality, easy-to-understand information and education to members is a key input to better member outcomes.¹⁰

AAG believes we need to provide more high quality consumer information about longevity risk and associated expenses (such as housing, health and aged care costs), to assist consumers to make better decisions about superannuation.

Authorisation

This submission has been authorised by the Chief Executive Officer and the Vice President.

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⁹ Productivity Commission, *How to assess the competitiveness and efficiency of the superannuation system: draft report August 2016*, page 69.

¹⁰ Productivity Commission, *How to assess the competitiveness and efficiency of the superannuation system: draft report August 2016*, page 133.



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