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Committee Secretariat
Senate Standing Committee on Economics
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Requests for information

Dear Committee Secretary

Please find below our responses to the two requests for information made at Ai Group's appearance before the Committee on 7 April 2021 in relation to the Government's *Your Future, Your Super* Bill.

The first of these requests relates to the following exchange.

Hansard p. 37 –

Dr Burn: The Reserve Bank found that compulsory superannuation has increased savings.

ACTING CHAIR: I think it's pretty much the same as where it was 30 years ago, but maybe you could provide that on notice.

Dr Burn: I'd be very happy to provide the paper.

In fact, there are two Reserve Bank Papers relating to this issue: a 2004 Research Discussion Paper and a 2007-08 Research Discussion Paper. These papers show an increase in *household* saving. There is also an important Australian Treasury research paper[1] *Compulsory Superannuation and National Saving* which finds a substantial boost to *national* savings associated with Australia's compulsory superannuation system (including public sector savings).

[1] David Gruen and Leigh Soding, 2011, *Compulsory Superannuation and National Saving,* Australian Treasury (https://treasury.gov.au/sites/default/files/2019-03/CompulsorySuperannuationandNationalSaving.pdf).

I have attached copies of these papers with this letter for the information of the Committee.

For the convenience of Committee Members, I have copied below the conclusions of the 2007-08 RBA paper and the 2011 Treasury research paper.

The RBA paper[2] found that:

> *Australia's experience with compulsory pension accounts is a useful case study since the reforms have been operating for over 15 years. This paper finds that Australia's pension accounts increased household wealth, with an extra dollar in their compulsory pension accounts adding between 70 and 90 cents to Household wealth. This result is consistent with some households facing financial constraints that prevent them from fully offsetting the compulsory contributions employers make on their behalf by reducing other assets or borrowing. Voluntary saving for retirement also appeared to increase slightly. This result may be due to the Superannuation Guarantee making households more aware of the need to save for retirement, or the added convenience of being able to make contributions directly into pension accounts set up by their employer. Finally, empirical estimates suggest that there is no significant effect on intentions regarding the timing of retirement. These results suggest that compulsory pension accounts can increase household saving and expected retirement incomes.*

The Treasury paper concluded:

> *To sum up then, Australia has a relatively high gross national saving rate, particularly when compared to other Anglophone countries with similarly deregulated financial systems. There are two noteworthy contributors to this relatively high national saving rate: a long history of prudent fiscal policy, and the compulsory superannuation system.*
>
> *A large stock of financial assets has been built up gradually in the Australian super system, a consequence of both compulsory and voluntary contributions into the system. The compulsory system appears to have made a significant contribution to national saving – estimated currently at about 1.5 per cent of GDP, and rising to close to 3 per cent over the next few decades.*
>
> *Because of the tax-preferred status of superannuation and the nature of the fiscal strategy, the public sector makes a significant contribution to the rise in national saving generated by the compulsory system. The public sector's contribution to national saving, via the compulsory super system, is estimated to be currently about 0.4 per cent of GDP, rising gradually to nearly 0.7 per cent of GDP by the end of the decade.*

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[2] Reserve Bank of Australia, Research Discussion Paper 2007-08, Ellis Connolly, The Effect of the Australian Superannuation Guarantee on Household Saving Behaviour.

The second request was as follows:

Hansard p. 40 –

ACTING CHAIR: Finally, can you provide on notice how much revenue the Ai Group receives from superannuation companies?

The request refers to "superannuation companies". Given the broader context of the discussion, we take this to mean the payments Ai Group received from the organisations referred to in my opening statement. These are AustralianSuper for which Ai Group is the employer shareholder; IFM Investors and Industry Super Australia.

Ai Group receives no income for our role as the shareholder of AustralianSuper. AustralianSuper does not pay dividends to its shareholders but returns all profits to its members.

Ai Group does have a Partnership arrangement with AustralianSuper under which we receive payments for displaying AustralianSuper signage at employer events and for providing opportunities for AustralianSuper personnel to attend and speak at functions attended by Ai Group members and other employers.

Some Ai Group employees provide services to AustralianSuper through their membership of AustralianSuper's Board, its Committees and its Advisory Boards (including for example AustralianSuper's Queensland Advisory Board). As is the case for remuneration for external roles in general, under Ai Group's employment arrangements the remuneration relating to these services is paid to Ai Group in recognition of the fact that the Ai Group staff are not available to work for Ai Group while they are providing services as part of their external roles.

Similarly, some Ai Group employees serve on the Shareholder Advisory Board of IFM Investors. These are remunerated positions and, under Ai Group's employment arrangements, the remuneration relating to these positions, is paid to Ai Group itself.

In the 2019-20 year the total received by Ai Group from superannuation companies in relation to these arrangements was $386.110.96. In relation to the amount received under the Partnership arrangement with AustralianSuper, the amount included is a GST exclusive amount.

While I am a Director of Industry Super Australia (ISA), this is not a remunerated position and Ai Group does not receive any income from ISA relating to this position.

Please do not hesitate to contact me should you require further information.

Yours sincerely

[redacted]

Peter Burn
Chief Policy Advisor