

Committee Secretary - Dr Margot Kerley
Standing Committee on Ageing
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

**Submission to the House of Representatives Committee on Ageing by the
Australian Services Union (Western Australian Branch) Superannuation
Steering Committee (Local Government Division)**

The Australian Services Union represents employees working in Local Government. The Australian Services Union, Western Australian Branch has appointed a Superannuation Steering Committee made up of members within Local Government to consider the maintenance and improvement of superannuation entitlements across Local Government in Western Australia. This submission will cover the concerns and objectives in regards to superannuation which have been raised by members of the Local Government Division of the Australian Services Union (WA Branch) through the Steering Committee.

No one can work forever. So when we all stop working the question arises: “how well will we live in retirement?” Given advances in medicine and health care, our retirement could easily last 20 to 30 years.

On 1 July 2002 the Superannuation Guarantee Charge (SGC) increased to 9%. However, this is not enough to ensure a reasonable standard of living after a lifetime of work. It will also take considerable private contributions to top this amount up. Prior to the SGC, many Local Government Authorities in WA had progressive policies regarding their employees' retirement and provided up to 9% in superannuation, in addition to the SGC, when employees contributed 5% of their own income. With the advent of the SGC, many Local Authorities took the opportunity to reduce their contribution when a compulsory SGC increase occurred. For those employees making a voluntary contribution of 5%, they have effectively lost ground each time their Local Authority absorbed the SGC increase. Over time these employees have not received any real increases towards their retirement.

The City of Joondalup, for instance, has discontinued any additional employer contributions above the SGC for new employees from the 1 July 2002, regardless of whether they contribute 5% or not.

The following sub-headings highlight the key concerns of ASU members in Local Government:

Anticipated income generated from Superannuation Schemes

Employees are concerned about whether they will achieve an adequate annual income to maintain a similar lifestyle after retirement. The unpredictability of investment markets highlights the risks associated with various superannuation portfolio options.

Absence of standard employer contributions across the industry

Changing trends in the workplace indicate that employees move jobs more frequently and that a career path is no longer always possible with one employer. Many Local Government employees work with more than one Local Government Authority throughout their working lives.

However, with discrepancies in superannuation entitlements between Local Authorities, an employee may have to choose financial stability over career advancement.

Erosion of employer/employee voluntary contributions through the absorption of SGC increases.

Employees in Local Government are concerned that the introduction of the SGC has cost them salary increases without returning higher superannuation benefits. Prior to the introduction of SGC, many employees were already in schemes, which provided employer contributions greater than the SGC. When SGC was progressively introduced, many employers reduced additional contributions to these existing schemes. Employees in these Local Government Authorities have lost out on the pay increases that were forgone in favour of increased superannuation.

Removal of additional employer contributions causing inequity in the workplace.

Despite current Federal Government and finance industry policy seeking an increase in superannuation savings, Joondalup City Council has removed additional employer contributions for all new employees. In effect, this is denying employees realistic retirement incomes. The City of Melville has also removed additional employer contributions for a section of its workforce.

This has the effect of disadvantaging future generations of workers, and has led to fears that a longer-serving employee, who is more expensive to 'maintain', may be a more attractive candidate for retrenchment.

Potential increase of final taxation rate on leaving superannuation scheme

Employees make voluntary contributions for the purpose of saving towards an adequate retirement income. Their voluntary contributions would be eroded by any further increases in final taxation rates when leaving their super scheme.

General lack of information about Superannuation

Local Government employees have expressed concerns about the lack of general information provided to them about Superannuation, such as the benefits of Superannuation versus other investments and changes in regulations and their impact.

The Objectives of the ASU Superannuation Steering Committee

The ASU Superannuation Committee has established the following objectives:

1. Standardisation of Superannuation entitlements across Local Governments in WA.

Standard entitlements should include:

- A standard increase in the level of employer contributions for all Local Government employees in recognition that the current SGC is not sufficient to provide for adequate retirement incomes.
- Employer/employee voluntary contributions being available to all employees;
- An acceptable minimum ratio of employer/employee voluntary contributions;
- No absorption of SGC increases in the future.

2. Establishment of a Local Government Superannuation Education program.

Due to employees' concerns about the lack of clear and unbiased material available on superannuation, ASU members are seeking a centrally organised superannuation education program. This could include:

- guidelines on the structure of superannuation schemes, investment options and the long term impact of contributions.
- improved awareness of the importance of a Superannuation scheme to all age groups.
- provision of specialised education programmes to those groups of employees least likely to contribute voluntarily to superannuation schemes and most likely to face disadvantage in retirement. These employees include women, low income workers and indigenous employees

The Australian Services Union (WA Branch) is requesting that the House of Representatives Committee on Ageing give full consideration to the issue of retirement incomes in Local Government. If further information is required, please contact:

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