Aspen Leadership Forum on Retirement Savings

March 4-6, 2020
Washington and Middleburg, US

“Portability in Australia”

Presentation by The Honourable Nick Sherry

Thursday, March 5
Australian Retirement Income System (brief overview)

Pillar 1

• A basic flat state pension set at 27.7% of male total average weekly earnings, funded from budget, indexed access age 66.

Pillar 2

• Compulsory “superannuation” 9.5% wages if employee and earning more than $450 a month. Defined contribution. Note 87% of system. Defined benefit closed, private sector 25 years ago, public 10 to 15 years ago.

• Majority default to a fund provider, 200 funds, 20 dominate, individual can “opt out” of default – “choice” select if wish to.

• Taxation. 15% on contributions, 15% fund earnings, 0 in retirement. Note Australian Tax Office receives data on all accounts/funds.

• Insurance (death/disability) basic is compulsory.

Pillar 3

• Voluntary superannuation, average 2.5 to 3%

• Yearly and lifetime caps apply.
Multiple inactive and lost accounts

<table>
<thead>
<tr>
<th>Year</th>
<th>Account no. million</th>
<th>$b</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5.8</td>
<td>18.8</td>
</tr>
<tr>
<td>2015</td>
<td>6.2</td>
<td>16.2</td>
</tr>
<tr>
<td>2019</td>
<td>6.1</td>
<td>16.9</td>
</tr>
</tbody>
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- **Inactive account**, no contribution in last 12 months.
- **Lost account**, no contribution in last 24 months, address unknown.
- **Fees and charges**, apply ongoing, administration (lower in most funds compared to inactive), investment management fee and insurance fee. No account with less than $1000 could be reduced in value.
- Most funds transferred to eligible rollover “holding” fund.
- Cost to system (members) $2 billion a year in fees.
Reforms – 1

• **2005** “Choice”/individual select any fund (not db). Could consolidate multiple accounts.
• Funds provided standard consolidation/transfer forms to members every 6 months.
• **Note** majority did nothing, default inertia in a compulsory system.
• Funds required to report all details on lost accounts to ATO.
• **2008/9** funds required to transfer a/c details and $’s of all temporary entrant/workers in lost accounts to ATO, held on register, no fees, individual can claim anytime from overseas or on leaving. Less than 10% do so.
• Funds allowed to use tax file number.
• **2010** “Cooper Review” auto-consolidate, all funds to exchange data/transfers by standard IT/admin Super Stream.
Reforms – 2

• **2015** - Super Stream, implemented.
• Super Seeker individual directly access ATO data base and transfer out to active account. Very few did so.
• **2017** – Auto consolidation of inactive accounts. Must be transferred to ATO which data matches, sends to an active account in a fund using TFN.
• **July 2019** – Accounts less than $6000 auto-consolidated. 800,000 accounts with $1.4 billion