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Re: Legislating the objective of superannuation

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community.

KPMG welcomes the opportunity to provide a response to Treasury's *Legislating the objective of superannuation* consultation including the proposed *Superannuation (Objective) Bill 2023* and *Superannuation (Objective) (Consequential and Transitional Provisions) Bill 2023* (the Bills).

KPMG supports codifying an objective of superannuation in legislation that preserves Australian retirement savings to deliver income for a dignified retirement.

Further, importantly we support the Bill introducing "equity" as a guiding principle for the superannuation system. The Australian superannuation system has come a long way in striving towards gender equity, but there is still more to do. The median superannuation balance remains lower for women than men. It is vital that policymakers remain vigilant on the impacts of the superannuation wage gap.

The gender superannuation gap can be anywhere between 22 per cent and 35 per cent. KPMG's 2021 report *The gender superannuation gap* found that the median superannuation balance for men aged 60-64 years is $204,107 whereas for women in the same age group it is $146,900, a gap of 28 per cent. For the pre-retirement years of 55-59, the gender gap is 33 per cent and in the peak earning years of 45-49 the gender gap is 35 per cent.[1]

KPMG gender equity series

KPMG has a long history of advocating for reforms and policy settings that promote gender equality in Australia. We have summarised the relevant positions related to superannuation below.

Gender Superannuation Gap Report

KPMG's Gender Superannuation Gap report found that individuals with low superannuation balances are more likely to rely on the age pension in retirement and

[1] https://assets.kpmg.com/content/dam/kpmg/au/pdf/2021/addressing-gender-superannuation-gap.pdf

as at December 2020, 55 per cent of those collecting the full pension were women.[2] Financial insecurity in retirement contributes to poverty and housing insecurity of older women in Australia. The provision of government support discussed in this paper would, in many cases, yield better value if provided at the front end, rather than waiting for prospective age pension recipients to fall into a reliance on welfare. It will also help maintain and enhance the dignity of retirees.

The report notes that the Commonwealth currently provides a co-contribution of up to $500 (on a maximum one for two basis) for individuals on very low incomes. Individuals on such low incomes have very limited ability to take maximum advantage of this, since they need to find $1,000 of their own money to contribute in order to obtain the $500 government contribution.

As such, the report proposes that top-up contributions be made for the nominated primary carer in a family where there is a child of pre-school age and the primary carer's income is less than average weekly ordinary time earnings (AWOTE), with a phase-out as income approaches AWOTE. Entitlement to the top-up contribution should be based on the individual's income and not family income – our proposal is aimed at supporting gender equity with fiscal equity.

Given the huge potential long-term benefits of even a small boost to a mother's superannuation balance, we believe that the impacts of a $500, $1,000 and $2,000 annual top-up should be modelled by the Parliamentary Budget Office to enable the potential cost of this proposal to be estimated.

Towards a more equal sharing of work

KPMG's *Towards a more equal sharing of work* advocates for a parent equality model allowing parents optimal balance of work and care responsibilities, and equal work opportunities for women. The report proposes the inclusion of taxpayer-funded Superannuation Guarantee contributions in the Commonwealth paid parental leave (PPL) scheme. Currently, primary care givers accessing the Commonwealth PPL scheme – predominately women – cease receiving superannuation contributions.

The report also proposes that employers may wish to make higher superannuation contributions for those who had taken time out of the workforce for primary carer responsibilities. In the report, KPMG recommends amendments to the Sex Discrimination Act to allow this without breaching any Commonwealth super, labour and tax laws.

Delivering equality: A new deal for pensioners that rent

KPMG's report *Delivering equality: A new deal for women pensioners that rent* found that individuals aged 50 to 59 who are receiving Commonwealth Rent Assistance (CRA) would also benefit considerably from having their superannuation savings topped up directly, as they would have limited ability to supplement their own

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[2] https://assets.kpmg.com/content/dam/kpmg/au/pdf/2021/addressing-gender-superannuation-gap.pdf

mandatory superannuation contributions. This might ultimately save the Commonwealth money over the longer term if the superannuation fund performs well, and would deliver additional personal wellbeing benefits compared to greater reliance on the age pension.

Treasury's Retirement Income Review

KPMG's submission to Treasury's Retirement Income Review (the income review) found that it is important to acknowledge that much of the superannuation gap can be explained by broader inequity within the labour markets.[3] For example, the submission noted that women make up 68.7 per cent of part-time employees (January 2019). The submission also notes that it has been estimated that if Australian women's workforce participation rate were the same as Canada's, then Australia's annual GDP would be about $25 billion higher.[4]

The issue of gender equity in the workforce, and equity in superannuation policy settings are intrinsically linked. Australia's recent female workforce participation rate of 62.2 per cent lags well behind the male participation rate of 71.2 per cent.[5] Lifting women's workforce participation has clear economic benefits for the nation as a whole including greater prosperity, as reflected in an increase in per capita household disposable incomes; extra revenue from income tax and other taxes; better returns to the nation from its investment in higher education; and reduced budgetary costs of the age pension. More importantly, addressing women's workforce participation and pay gap will enable women to maximise their savings for retirement and to achieve better retirement income outcomes.

KPMG's submission to the income review also found that a lifetime concessional contributions cap would enable individuals who had taken time out of the workforce to undertake carer roles to "catch up" over a period of time as their ability to make additional contributions increased. Whilst a change in the cap system is cumbersome, the current system is quite complex and less efficient than the former Reasonable Benefit Limits style system.

Towards gender equality in retirement

KPMG's *Towards gender equity in retirement* recommends that the government consider adding superannuation contributions to the Commonwealth Carer Payment. This modest measure would be an immense boost for those recipients of the Carer Payment, who provide constant care to someone who has a disability, severe illness or is frail aged. It would also help close the gender superannuation gap, given that most carers are women.

We look forward to working with the government on this important matter.

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[3] https://treasury.gov.au/sites/default/files/2020-02/kpmg030220.pdf
[4] Hockey (2014, p. 20) citing Daley and McGannon (2014).
[5] https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release

Yours sincerely

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