ASU Bargaining Resource

We need more Superannuation…

Discussion paper &
bargaining support resource

Prepared by the ASU
National Office Public Services Team
for ASU Branches with members
employed in the Public Services
Local Government, Water, Electricity/
Energy, Railways & Public Services
State and Federal Govt. Services Divisions

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Glossary: *what we mean when we say…*

A Defined benefits fund -

We mean a superannuation plan which calculates retirement benefits using a formula based on:

- Years of membership of the fund, and
- Average salary level over the last few years prior to retirement, and
- Your personal contribution rates, and
- Reason for termination of employment [e.g. redundancy or normal retirement]

These funds are some times also called **promised benefits** funds.

In these funds, the investment risk is borne by the employer [which has promised to pay the retirement benefit according to the formula above].

An Accumulation fund -

We mean a superannuation plan in which your superannuation savings accumulate depending on the:

- Contributions that are made into your account [e.g. 9% employer contribution]
- Investment returns [interest, etc.] that are applied to your account
- Fees, taxes and insurance premiums (where applicable) that are deducted from your account.

These funds are sometimes called defined contribution funds to distinguish them from defined benefit funds; since the employer promises to pay a certain amount into the fund on your behalf [you can usually also make personal contributions yourself].

In these funds, the investment risk is borne by the fund member. Industry super funds are typically defined contribution or accumulation accounts.

Important note:

The information contained in this publication should not be relied upon for financial or commercial advice. The ASU is not a licensed financial advisor nor are the Officials of the Union who prepared this publication.

The purpose of the publication is to encourage Branches, ASU representatives and members to realise that they need to bargain and campaign for increased Superannuation to at least the levels advised by the Australian Council of Trade Unions (ACTU): www.actu.asn.au

Branches, Union Officials and Members are always advised to seek independent financial advice from a licensed provider based on their individual circumstances before making any major financial planning decisions, including those related to superannuation and retirement planning.

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Introduction

This ASU superannuation publication has been prepared by ASU National Office staff in the Public Services team to assist ASU members and representatives in the Public Services Divisions who find themselves in direct negotiations with employers, to consider, and, where practicable, include increased superannuation contributions as part of their claims on employers.

The Public Services Divisions of the ASU have long been the leaders in establishing improved superannuation for workers in electricity/energy (utilities), local government, railways and public transport, and in state and federal government jurisdictions to assist members and their families in their years of retirement.

In past years, this was often achieved by way of "defined benefits schemes", with contributions made by both employer and employee to obtain a specific remuneration package at the time of retirement. In recent years the movement away from "defined benefits schemes" has been followed by an advance in superannuation payments by way of Federal legislation implemented by the Hawke and Keating Governments.

The movement to universal superannuation now sees many public sector workers receiving a 9% defined contribution by their employers, with some exceptions. In the past, superannuation scheme contributions were significantly higher than this amount and it is now time to improve the level beyond 9% for all public sector workers.

Already Federal public sector workers have in the last three years secured a defined contribution from their employer of just over 15%. ASU members in the electricity industry in NSW, now enjoy a superannuation defined contribution from their employer of between 11% and 13%. Similar levels are enjoyed by local government workers in Tasmania with superannuation employer contributions being over 12%.

The ASU Public Services Divisions have, at a number of industry division meetings, discussed the need to improve superannuation contributions beyond the standard 9% to a level of 15% in order to allow public sector workers to maintain standards of living in their retirement.

The ASU National Public Services team has considered the issue in consultation with a range of industry players including the Industry super funds, the ACTU and ASU Branches, and has prepared this booklet to encourage Officials, Senior Delegates, Branch representatives, National Conference delegates, and those that have the responsibility of negotiating agreements with members to secure improved terms and conditions of employment to seek to increase superannuation contributions as part of this bargaining. Some ASU branches and industries have already been successful.

This publication is a document that will continue to be reviewed and improved with the contributions provided by ASU Branches and members as we work together to achieve positive outcomes for our members.

It is important to acknowledge the role played by the ASU Branch Secretaries and their key leaders in Public Services Divisions in the Branches as well as Keith Harvey and Barry O'Brien from the National Office Public Services Division who have worked with me on this important project. I commend the booklet as a first step towards improved superannuation for ASU members and other Unions that work alongside the ASU in our Public Services Divisions.

Greg McLean
Assistant National Secretary
Australian Services Union

Part 1 – The Discussion Paper

We need more super…

Superannuation is unfinished business for the ASU and the trade union movement generally.

ASU National Conference in November 2006 unanimously resolved:

> ***National Conference calls on the ASU to continue the campaign to eliminate the 15% contribution tax on superannuation.***
>
> ***National Conference notes that the 9% superannuation contribution (in lieu of wages and productivity increases) after the Federal Government creams off the 15% contribution tax, leaves only 7.65% contribution going into a superannuation account.***
>
> ***National Conference calls upon the ASU to continue the campaign that super contributions tax should be eliminated which would assist improving member's superannuation payout when they retire…***

This followed a 2004 conference resolution:

> ***National Conference requests that the National Office and Branches continue the campaigns for improved superannuation benefits for our members.***
>
> ***Further this meeting requests that information be prepared by the Union which will***
>
> - ***encourage members to bargain for improved superannuation along with wage increases.***
> - ***be able to inform members of the triple taxation on superannuation and campaign for the elimination of the 15% contribution tax.***
> - ***encourage participation by members in the co-contribution opportunity…***

As far back as 2003, the ACTU Congress declared that a 15% super contributions was the appropriate target and set a short term goal of an additional one per cent of super to be achieved through bargaining by 2006. Since 2005, ASU Public Services divisions have also targeted super as a key issue in their industry work plans and have asked the National Office to prepare this discussion paper as an initial step to re-invigorate the campaign for additional superannuation. This paper considers progress made since 2004 in implementing ASU and ACTU policy on superannuation and the steps that need to be taken to ensure decent retirement incomes for all members in the long term. It considers the progress and the opportunities particularly in respect of members working in public services divisions, viz:

- Local government
- Energy – electricity and gas
- Water
- Rail and public transport generally
- State and Federal government services

The Howard Government's extreme workplace relations law changes mean that improved superannuation cannot be achieved through awards – collective bargaining is the only opportunity to improve super contributions. Branches of the union have made some progress in implementing these objectives but much more needs to be done, as will be seen from this paper. First, the paper looks at the background to the current levels of superannuation contributions for employees with particular emphasis on the role of the labour movement in winning the current entitlements.

“The most significant change in 20 years…”

In the mid 1980s, when unions began their push to extend super coverage to all workers, initial gains were significant but modest. The first super clauses in many awards provided only for a 3% employer contribution to employee super – an important first step but a tiny amount which would in no way provide any meaningful retirement income for workers.

Nevertheless, the introduction of employer contributions for all workers was a significant step forward. Industry super funds were formed and run jointly by representatives of employees and employers and in this way took super out of the control of individual employers or retail funds based on commission earning agents.

The new industry super funds were low cost, well run and all profits were returned to members, not shareholders or commission agents. Over time, these funds have morphed into giant financial institutions and have entered other forms of financial services, such as home loans, [provided by Members Equity bank], other banking services and financial advice.

In the early 1990s, the Federal Labor government increasingly began to recognise the implications of Australia’s aging population and, building on the pioneering work of the union movement, introduced the Superannuation Guarantee Charge [SGC] which required employers, over a period of time, to increase their level of super contribution to 9%, where it stands today.

Most industrial awards now reflect this ‘standard’ of superannuation contribution. Superannuation remains a preserved/allowable award matter, but only until June 30th 2008 when the relationship between awards and superannuation will be severed. Agreements will still be able to include super clauses.

The success of industry superannuation funds has led to an attack on workers super from the Howard Government.

The Keating Government set aside some $4 billion in Budget estimates to fund a co-contributions scheme pitched at low to high-middle income earners. The plan would have required workers to contribute 1% towards their super over three successive enterprise bargains [3% in total] which was to be matched by the Federal Government. This would have meant that most workers would now be receiving contributions equal to 15% of their ordinary time earnings.

However, the Keating Government lost office and the Howard Government failed to honour the Labour Government commitment even though the co-contribution scheme was funded.

In addition, the Howard Government legislated for so-called “Super Choice” of fund in an effort to weaken industry super funds and favour retail master trusts and other super products offered by the “for profit” financial sector, including banks and life insurance companies.

So far, this attack appears to have little real impact on industry super funds as employees well understand that the financial benefits of remaining in a not for profit fund are very significant over a working lifetime.

At the same time, there have been other changes to superannuation – in particular with regard to the taxation of super and related restrictions (some of which are now being removed) – but also with regard to the types of super fund on offer, that is, either a defined benefits or an accumulation [defined contribution] fund.

In the past, many super funds available to white collar employees in particular and especially to public sector employees were ‘defined’ or ‘promised benefit’ schemes.

These super plans offered employees on retirement a particular or *defined* multiple of final earnings as their lump sum super payout. These varied in generosity but were very attractive in some areas and in long term career based employment such as in the public service and in local government were often seen as compensation for lesser paying jobs.

Many such ‘defined benefit’ super schemes offered reasonably attractive retirement benefits at a relatively young age [around 55 years of age].

The employer bore the risk in these super arrangements – if the fund earned less than what was required to meet the promise on retirement, the employer had to top up the fund to meet the payments. On the other hand, as frequently occurred, when fund earnings outstripped the growth in liabilities, employers could enjoy a ‘contribution holiday’, that is they did not need to make any contributions to the fund for a certain period of time. Occasionally fund surpluses would even be distributed back to the company.

Some public service defined benefit funds were and remain unfunded and superannuation payments to retired employees are simply made from taxation revenue.

However, recognising their increasing liability in this area, Governments have moved to close off most defined benefit schemes and offer only accumulation funds to new employers. This occurred, for example, in NSW public sector employment in 1992 when the former defined benefit super funds were closed at all new State government employees required to join First State Super – an accumulation fund.

Accumulation funds – whereby the contributions paid plus interest earned [less costs] equals the retirement payout – are virtually the norm in 2006. Different types of funds deliver best for various types of employees depending on length of service, but this issue is virtually now closed. Most new employees will only have access to accumulation funds.

Under accumulation type funds the employer’s *contribution* is defined rather than the benefit. Employees can make additional contributions of their own [either by salary sacrificing or in ‘after tax’ dollars] and the final payout reflects the earnings of the fund over the employee’s working lifetime.

These funds are good for most employees, but it is worth noting that individual employees bear the risk – not the employer. When financial markets perform badly, so do the funds and they can produce short term negative results. This has occurred recently.

For some employees, particularly in the public sector, the new accumulation funds represent a reduced employer contribution to super. This occurred , for example in NSW public sector employment when in 1992 the last defined benefit scheme – the State Authorities Superannuation Scheme [SAS] – was closed and new State government employees became members of First State Super – an SGC accumulation fund.

Public sector employees in NSW now, for example, get only a 9% contribution from their employer as compared to up to 18% from the closed SASS as the NSW Government in most cases caps its contribution level at the SGC amount.

As the attached ***Bargaining Support Fact Sheet*** shows, this is not enough super for workers.

A 9% super contribution over most working lifetime’s will simply not produce sufficient retirement income to meet the income needs or expectations of retiring workers.

We need more super…

How much is enough?

As the attached **Bargaining Resource** shows, most independent superannuation experts believe that a super contribution of around 15% of earnings over the average worker's lifetime is needed to ensure a decent retirement income for most workers.

This issue is canvassed in detail in the **Bargaining Resource**, but clearly depends on a number of factors, some of which are beyond the control of employees, such as the level of earnings rates of superannuation funds which are determined partly by the skill of fund managers but also by national and international economic conditions and the performance of share markets and other financial instruments, including interest rates.

Personal preferences and circumstances also play a part. For example, how much retirement income does an employee want? What is the work experience of the employee, i.e. a long term employee of a single employer or an employee who, like many women, who has had an interrupted working life or who has spent many years as a part-time or casual employee.

Taxation of superannuation also plays a key role in determining final retirement incomes. For example, a 9% super contribution is not 9% in the hands of the employee's super fund account since the federal government taxes this at the rate of 15% - leaving the employee with a net amount of around 7.65% in the fund. Also fund earnings are subject to tax (up to 15%) which reduces the interest rate credited to fund member accounts.

Although the Federal Government has announced changes to super taxation, i.e. eliminating tax on super payouts on retirement, the 15% tax remains a significant penalty on the ability of employees to provide for themselves a decent retirement income. The ASU has not achieved its 2004 policy of the removal of this tax. Overall, the Government's 2006 tax changes have tended to benefit the well off who can now take big super payouts without paying tax while ordinary employees will still struggle to get a decent retirement income from their super.

As a fair indicator however, the ASU strongly supports and is working towards the target of 15% super set by the ASU National Conferences and ACTU Congress in 2003 and again in 2006.

How much have we got now?

Local Government

Superannuation contributions and schemes vary from State to State in Local Government.

NSW: A number of super schemes now exist in NSW Local Government. New employees can only join the Accumulation Fund, to which an employer contribution of 9% only is made on behalf of each employee. Sydney City Council is making an additional super contribution of $500 per employee as a result of their last EBA.

Victoria: Prior to 1 January 1994, Local Government [and City of Melbourne] employees became members of the Vision Super Defined Benefit Plan, to which employers made contributions of 9.25% of salary. Post January 1994, employees must join an accumulation plan, to which employers contribute the SG amount – 9%.

Queensland: The old defined benefit fund has been closed in Queensland as well. Employers contribute 12% for each employee as determined by the Queensland Local Government Act 1993 and permanent members of the local government must also contribute 6%. Employees of Aboriginal and Islander Community Councils get only 9% in line with the SGC.

South Australia: The Municipal Officers Award in SA provides the SGC 9% only.

Tasmania: Former super scheme was a defined benefits scheme, now closed to new employees with the effective contribution worth around 12%. When 3% award super entitlement was introduced, local government paid the 3% as an additional amount into an accumulation scheme as well. New award covered employees get only 9% derived from Local Governing Authorities Tasmania (Superannuation) Award 1989 paid into an accumulation fund.

West Australia: Employees in local government in WA get a basic super contribution of 9% in line with the SGC, but many Councils will match voluntary employee contributions on a dollar for dollar basis. For example, if an employee contributes an additional 1%, the employer will pay 9+1% = 10%. Some Councils will pay up to 9% additional super for a total employer contribution of 18%. Geraldton Council matches employee voluntary contributions as follows:

SGC	Additional employee voluntary	Total Council
9%	1%	10%
9%	2%	11%
9%	3%	12%
9%	4%	13%
9%	5%	14%
9%	6%	15%
9%	10 years service plus 6%	16.5%
9%	15 years service plus 7%	18%

Northern Territory: NT local government employees get the basic 9% super payment but can get additional employer contributions if they make employee contributions, but this is generally restricted to 2-3% in addition. For example under the Darwin City Council EBA, the employer pays 11% super if the employee puts in 2%. The Katherine Town Council agreement raises this to a 12% employer contribution for a 2% employee one. The Litchfield Shire will pay 14% super for an employee contribution of 4%.

Water

A survey of ASU Awards and Agreements in the Water Industry in NSW and Victoria shows that almost without exception, employees in this sector have an employer contribution of only the 9% SGC benefit whether employed under the terms of an Award or collective agreement. However, some NSW Regional Water authorities are moving towards an 11% super contribution, eg Mid Coast Water. Details of ASU Award and Agreement Water sector super are available.

Energy

Some significant progress has been made in the energy industry on superannuation. As a result of collective bargaining agreements in NSW State Owned Corporations in particular, the ASU has been able to lift the employer contribution from 9% to 11% for many employees and in some cases to 13% over two years of the current round of EBAs. For example:

- Country Energy: agreement provides for “an additional 1% per year” [ie to 11%]
- Energy Australia: agreement provides for 13% by January 2008..
- Transgrid: agreement provided for “an additional 1% from 1st December 2005 and an additional 1% from 1st December 2006 for a total of 11%.

In other States, the situation is as follows:

Victoria: The Victorian energy industry has been privatised. Many Victorian Energy awards and agreements still provide for defined benefit super schemes, e.g. TruEnergy. In some cases, there is a defined benefit scheme for some employees and an accumulation scheme for new employees, e.g. AGL. Edison Mission Energy contributes 13.5% to accumulation accounts. In others, accumulation funds only apply, e.g. CityPower.

The ‘going rate’ for superannuation in the Victorian power industry appears to be at least 10% for full time employees; in some cases casuals get only the SGC contribution (Origin).

Queensland: In Queensland, employees in the energy industry are employees of Government owned corporations, although retail sales are being privatised. A 5% employee and 10% employer super contribution applies at Ergon (provided for by certified agreement) and in some other agreements and also at Energex (but not by agreement).

SA: In SA, the energy industry is completely privatised.

WA: In WA, the mainly government owned energy industry is undergoing rapid change. The standard for superannuation for new employees is currently the state sector standard which is 9% SGC. Some employees are still members of now closed defined benefit schemes and the WestState scheme, an accumulation fund.

Tasmania: Energy employees enjoyed similar defined benefit schemes to those applying to local government. When 3% award super entitlement was introduced energy employers paid the 3% as an additional amount into an accumulation scheme as well. The defined benefits scheme was closed to new members in 1999 and all new employees are enrolled in an accumulation fund.

Rail

In Queensland Rail (QR), employees must make an employee contribution. If this is the standard 5%, the employer pays 12.75%. If employees contribute less, so does the employer:

Employees:	Employer:
2%	9.75%
3%	10.75%
4%	11.75%
5%	12.75%

A similar situation applies to those employees still in defined benefit schemes.

State and Federal Government services

Until relatively recently, the public sector typically had defined benefit schemes [with a combination of employer and employee contributions], which provided reasonably generous superannuation benefits to retiring employees.

Recently, however, Governments have been moving to close off defined benefit schemes and replace them with accumulation funds. The NSW Government did this as far back as 1992 when existing schemes were closed off to new members and new employees were enrolled into First State Super, an accumulation fund which provides only the 9% super guarantee.

The ACT Government announced as part of its 2006 Budget its intention to cut the level of contributions for new employees to 9% (or 10% if the employee contributed at least 3%) and this policy has now been implemented. This represents a substantial cut in super from the previous level worth about 15.4%. In the Federal Public Service, the Government has also closed the defined benefit scheme to new employees this year, but Unions have been able to retain the equivalent of a 15.4% employer contribution to the new accumulation fund in most departments, including the Taxation Office where the ASU has members.

An ASU super plan for 2007-08

Successive ASU National Conferences have endorsed plans for improving members' access to decent retirement incomes, including:

- Bargaining for more super through agreements
- Elimination of the triple taxation of super
- Encouraging members to contribute to their super through co-contributions.

Some progress has been made on increasing employer contributions to super through bargaining but this appears to be largely confined to sections of the energy industry, particularly in NSW and in local government in WA and the NT. In many sectors, employee contributions are now encouraged through salary sacrificing. The Federal Government's changes to the taxation of superannuation has eliminated the tax on super payouts in retirement but not the tax on contributions which continues to drag down the value of employer super contributions. Overall, the Government's changes assist the wealthy to enjoy the benefits of additional retirement income without assisting the adequacy of retirement income for low income earners.

In a new Super position paper released at the 2006 Congress, the ACTU again re-affirmed its target of a 15% contribution to super on behalf of each employee through efforts by employers, employees and the Federal government:

- Continued efforts by unions to increase contribution rates through bargaining

- The introduction of a semi-compulsory co-contribution by employees of 1% to be matched by employers, bringing the total contribution to 11% (10% employer, 1% employee)

- Removal of the contributions tax for all employees earning up to $70,00 pa

- Extension of the SGC entitlement to all employees irrespective of age or minimum earnings and to "independent contractors".

An ASU super plan for 2007-08 should include the following elements:

- A bargaining target of an additional 2% employer super contributions by 2008

- An education campaign to encourage members to make co-contributions to their own super to boost retirement incomes

- A political campaign to demand that the Federal government act to eliminate super contribution tax on low income earners

- A campaign to ensure that an incoming ALP government has policies to
  - boost retirement incomes for low and middle income earners,
  - prohibition on collection of fees and commissions re SGC contributions and
  - equal treatment for same sex couples

- An on-going campaign to ensure that members are
  - fully aware of the benefits of industry super funds in maximizing the value of super contributions and retirement income adequacy
  - aware of the importance of financial literacy.

Part 2 - Bargaining Support Resource

It's a fact! We need more super

Even with the 9% Superannuation Guarantee in place for most workers, workers still need more superannuation if they are to have a decent standard of living in retirement. A few workers with access to defined benefit super schemes or more generous schemes may have enough super but those dependent on the super guarantee alone do not.

Why is this so? Simply put, 9% super is not enough to meet the needs of workers in retirement unless they have another 40 years left in the workforce and only want around $21,000 in retirement income [in today's dollars]. Many workers assume that the level of the super guarantee contribution that employers are required to make on our behalf is enough – until they do the sums.

Remember:

- Most workers have only been getting 9% super since July 2002
- When award based super was first won by unions it was only 3% and it grew significantly only after a Labor Government introduced the SGC
- Most workers won't have the full 9% for their whole working life for 30 years
- Even the full 9% per cent isn't enough anyway unless you only want a very modest retirement income. This is explained below.
- Also, 9% isn't 9% at all because the Government continues to tax super contributions at the rate of 15% leaving you with only about 7.65% net after tax.

How much retirement income do I need?[1]

This, of course, varies from person to person and depends on a range of factors, including your current income, your desired retirement lifestyle and income, home ownership and other personal and family circumstances.

However, many superannuation and retirement income experts estimate that a desirable target for an employee on average earnings is to have in retirement an income equal to about 70-80% of pre-retirement **expenditure**. You can work this figure out for yourself but it roughly equals 60-65% of gross pre-retirement **income**. Note that this target would actually be **higher** for those now earning significantly less than average weekly earnings. Will a super contribution of 9% earn you this amount of retirement income?

NO!

According to Rice Walker Actuaries[i] the required contributions needed to bridge the 'retirement savings gap' **over and above the current SGC amount** of 9% is shown in the table on the next page:

[1] Note: the information contained in this document is not personal financial advice and should not be relied upon as such. It is general information designed to assist collective bargaining.

Age Band	Males %	Females %
25-29	7.4	8.4
30-34	8.7	8.8
35-39	10.0	9.3
40-44	11.8	11.0

In other words, even a male just starting out in the workforce and aged between 25-29 years needs a super contribution of 16.4% to meet a retirement income target of 62.5% of salary at retirement, without taking into account any government financial support, e.g. through the age pension]. Women face even greater difficulties in saving enough for a decent retirement income given that they:

- often have interrupted career and work patterns
- earn on average only 92% of male average earnings
- work in less well paid jobs on average

Casual and part-time workers generally also face great difficulty in creating sufficient retirement savings due to the nature of their work and the requirement to earn $450 per month before an employer must pay them the SGC.

The Association of Superannuation Funds of Australia (ASFA) puts the saving equation a slightly different way, but the message is the same. The table below, prepared by ASFA, calculates the percentage of income **over and above the 9% SGC** required to be saved to achieve 60% of pre-retirement income on retirement over various periods of time. On the top row, current earnings are shown and the amount in brackets is 60% or current earnings.[ii]

Years to retirement	$35,000 ($21,000)	$50,000 ($35,000)	$75,000 ($45,000)
20	13%	22%	28%
25	7%	14%	19%
30	3%	9%	12%
35	1%	5%	8%
40	Nil	2%	4%

In other words, unless you only want $21,000 per annum in retirement income in today's dollars and you still have 40 years to work to get it, 9% super is not enough and for most people is not nearly enough. Most ASU members would think that a retirement income today of $21,000 would not be enough – at least $35,000 would be desired by most. To get this over a working life of 35 years, you would need a super contribution of at least 14% of income.

Retirement Living Standards

The 60-65% of income replacement target was supported by a 2002 Senate Committee Report on Superannuation and the Standards of Living in Retirement. The Committee also found that:

> *"There is a shortfall in the ability of the nine per cent superannuation guarantee (SG) contribution, together with the age pension to deliver appropriate retirement incomes for many representative groups of Australians…The Committee notes that the current available evidence demonstrates that SG and age pension alone will not provide an adequate income in retirement for most people".* [iii]

Another way of looking at this issue is to work out the costs of living in retirement for yourself and your partner. The ASFA in conjunction with Westpac Bank have developed a **Retirement Living Standard** measure. Details of this can be found on their website but the calculator currently shows that to enjoy a comfortable lifestyle:

- single people need an income of $35,430 pa
- couples need $47,507 pa (in today's dollars).

Would your super earn you this sort of income in today's dollars? Even a modest lifestyle for a couple requires $25,603 pa and this allows no expenditures at all on gifts, alcohol, computer equipment or private health insurance. You can check out the differences between a comfortable and modest lifestyle on the website.

And remember:

- Most Australian workers want to retire around age 60; others at a younger age
- Average life expectancies are rising and as we live longer our retirement income must go further.

What super contribution do we need?

The ACTU and superannuation experts believe that at least 15% super is needed over the average working lifetime to ensure a decent retirement income for most workers.

In a recent submission to a Parliamentary inquiry into superannuation for the under 40s, the Association of Superannuation Funds of Australia recommended that:

> *"…in order to better meet retirement income needs and expectations, contributions be increased in effect to an amount equivalent to 15% of wages through a combination of compulsory contributions, voluntary contributions and tax relief."* [iv]

ASFA recommended the abolition of the Government's 15% tax on super contributions, which it estimated was equal to a three per cent increase in super contributions.

The Federal Government recently legislated some changes to taxation of super contributions, but unfortunately left the 15% tax in place. In 2003, the ACTU endorsed a goal of increasing superannuation to 15% in steps and sought to have 10% in place by 2006. This has been achieved in some areas but in many others, workers still only get the 9% SGC amount. The ASU is committed to working with members to win increases in super through collective bargaining.

How much super do I have now? Will it be enough when I retire?

Of course, as noted above, the answers to these questions depend on individual circumstances, employer and personal contributions to super (if any), super fund earnings rates and time spent in the workforce.

However, all available statistics show that workers do not currently have enough super savings to meet reasonable retirement income expectations. The table[v] below shows the superannuation balances of men and women surveyed in 2002. It shows the proportion of males and females with balances of certain amounts.

Balances:	No super	$1 - $1000	$1000 - $4999	$5000 -$9999	$10000 - $19999	$20000 - $49999	$50000 - $100000	More than $100000
Males	26.4%	5.2%	9.7%	7.3%	10.7%	15.2%	8.8%	16.6%
Females	38.2%	6.8%	12.2%	8.0%	11.0%	10.9%	5.7%	7.2%

This table shows that in 2002, most Australians had low superannuation balances. Even those with $100,000 in super would gain a retirement income from super of only $7,000 pa if invested at 7% pa if they retired with that amount.

Most Australians had very low super balances: more than 90% of women had less than $100,000 in super as was the case for 85% of males.

Super calculators

How much super will you have when you retire? We can't answer this question for you but there are a number of websites which have super calculators available – including one ASU Branch website - to assist you work out how much your current super will be worth when you retire. Get a copy of your last super fund statement and do the exercise for yourself. You can find these calculators here:

Try this ASU calculator first:

http://www.asuvic.asn.au

Energy industry super calculator:

First State Super (NSW)

HESTA (Health and Community Services)

The Corporate watchdog ASIC also has a super calculator plus other useful financial planning tools. Their calculator answers to the name FIDO.

What do we want? *More super!*
When do we want it? *Now!*

These tools will help you work out your personal situation, but collective action is the only sure way to boost our retirement super income in the long run. Until the union movement took up the issue of superannuation for all workers, it was the privileged preserve of a few white collar and government employees.

Governments later took up the issue as they realised what the effects of an aging population would be, but this Government effort has stalled at levels that will not produce the retirement income that employees need.

It is up to workers to again advance this issue: collective bargaining is the only way we can achieve this important goal. Make sure ***More Super! Now!*** is a key agreement claim in your next EBA. The ASU will assist in providing info to support this claim, including details of where it has been won already.

The best retirement present is the one you give yourself… a decent income!

Authorised by G McLean, ASU National Assistant Secretary

References:

[i] Rice Walker Actuaries, Submission to Standing Committee on Economics, Finance and Administration, 16th January 2006, p 6
[ii] ASFA, Submission to Standing Committee on Economics, Finance and Administration, July 2005, p12
[iii] Quoted in ACTU, Submission to Standing Committee on Economics, Finance and Administration, 28th July 2005, p 3
[iv] ASFA, op cit, p 2
[v] Ibid, p 8