

**2017 NATIONAL SUPERANNUATION LAWYER'S CONFERENCE:  
SUPER2017 – UNSHACKLING SUPER  
SPEECH BY HER EXCELLENCY PROFESSOR THE HONOURABLE  
KATE WARNER AC, GOVERNOR OF TASMANIA  
HOTEL GRAND CHANCELLOR, THURSDAY 9 MARCH 2017**

Good morning everyone and welcome to the 2017 National Superannuation Lawyer's Conference: Super2017: Unshackling Super.

I begin by paying my respects to the traditional and original owners of this land – to pay respect to those that have passed before us and to acknowledge today's Tasmanian Aboriginal community who are the custodians of this land.

I acknowledge the Honourable Michael Jacobson QC, the Honourable Joe Campbell QC and the Honourable Peter Heerey AM QC.

I warmly welcome our interstate guests to Hobart and do hope you get time to enjoy some of what we have to offer here in Tasmania.

I have to confess to being a little dismayed when I realised that I was being asked to address you for 15 minutes about superannuation law. My level of discomfort increased when I looked at your program: RG 97 Disclosing fees and costs in PDSs (product disclosure statements) and periodic statements and s.29QC of the SIS Act (I now know this is the *Superannuation Industry (Supervision) Act 1993*). And then you have a session on CPS 220, insurance risk culture and governance. It soon became clear that I was not going to be able to say anything of value about superannuation to this audience. I know embarrassing little about it.

I realise that I am in that the section of public that tends to look only at the bottom line of my superannuation return at most. I am super uninformed!

And yet superannuation has often been in the news since the federal ALP government introduced compulsory superannuation in 1992 with an employer levied contribution of 3 per cent of an employee's salary to be paid to a complying superannuation fund of the employers' choice. And with and a plan to gradually increase contributions to 9 per cent by 2002 and eventually to 12%.

The parliamentary library publication on the chronology of superannuation and retirement income in Australia lists dozens and dozens of policy and legislative changes between the years 1992 and 2010 (when the publication was last updated). I am sure many of these changes hit the news. In recent years super was in the news when the Abbott government struck a deal with the Palmer United Party in 2014 to delay the increase in the compulsory superannuation rate from 9.5 per cent where it currently stands to 12 per cent to 2025 instead of 2019.

Some argued this would ensure workers would get more money in their pockets. Others such as Paul Keating, the father of our compulsory system, railed against the delay arguing that the rate of 9.5% would not provide adequate retirement income. And then Joe Hockey suggested the idea of first home-buyers dipping into their super. And last year a range of changes to super tax concessions were debated in Parliament and widely reported.

The Internet has improved access to information on such things as superannuation and there is a wealth of information about it. But how much of this is understood by the public? Is my ignorance and failure to be engaged in superannuation matters common in the general public? Is the public also super uniformed?

Given I that I have an interest in public opinion research in the context of the criminal justice system and sentencing and in the research that shows that the public are largely misinformed or ignorant of such things as crime rates and sentencing levels – for example they tend to think that crime rates are rising when they are in fact stable or falling and they underestimate the severity of sentences for common crimes, I wondered whether there was any research on knowledge and perceptions of superannuation in Australia.

Not surprisingly there is. The ANZ Survey of Adult Financial Literacy has been conducted very three years since 2002 and it includes a section on superannuation. The 2002 survey includes a sample of 2,616 superannuation fund-holding respondents who were asked questions aimed at measuring knowledge and understanding of superannuation. It found that:<sup>1</sup>

most knew that employers are obliged to make contributions on behalf of employees;

the sample was also well aware that the government would not make up the gap in funding from a lack of retirement planning (85%);

slightly more than half knew that super is taxed at a lower rate than other investments (54%);

but only one third of fund members knew how to read and understand their statements (30%); knew the approximate rate of contribution employers were required to make on their behalf (36%), or had worked out how much they needed to save for retirement (34%);

only about two fifths understood the fees and charges associated with superannuation (44%).

The most recent survey shows a slight *decrease* in the proportion of those who know that employees can make superannuation contributions in addition to the payments made by employers (to 88%) particularly amongst males working in blue-collar occupations.

In the 2014 survey 68% of fund holding respondents received and read their statement but one in three of those who receive superannuation statements found them difficult to read, a situation which has remained unchanged since 2002. Moreover, those who don't read them were most likely to give as a reason that they could not understand them or couldn't be bothered to read them.

A fifth of respondents (22%) were unable to say which measure best indicated how the super fund was performing and only 28% of those under 65 and still in paid employment had worked out how much they would need to live on when they retired.

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<sup>1</sup> Andrew C Worthington, 'Knowledge and Perceptions of Superannuation in Australia' (2008) 31(3) *Journal of Consumer Policy* 349-368.

Insofar as it is possible to tell, there does not seem to have been much improvement in financial literacy in relation to superannuation since 2002.

There have been developments in the concept of financial literacy since the ANZ Surveys began in 2002, and financial capability is seen as important as well as financial knowledge. An important part of financial capability is a person's confidence in dealing with financial decisions as well as their knowledge and skill so that financial literacy encompasses a person's skills, knowledge, attitudes and ultimately their behaviour in relation to money, something that is acknowledged in the more recent ANZ Surveys.<sup>2</sup>

I also found some recent research which examined engagement with superannuation rather than financial literacy. In a recent survey around 550 participants were drawn from a large metropolitan university, the public via Facebook and the website of two superannuation funds. The purpose of the study was to determine if there was a gender gap in relation to superannuation engagement. It found that on most measures women were as engaged with superannuation as men and that the main determinants of engagement were financial literacy, age and the value of superannuation.

In this group most knew their super balances and read their balances every year (almost 80%), but only half knew how much in fees the super fund charges and under 40% had read the product liability statement or knew how their fund had performed in comparison to others.<sup>3</sup> This group was rather more engaged than the ANZ Survey respondents who are more representative of the general population.

So what to do about poor financial literacy in relation to superannuation and lack of engagement with it? Worthington has suggested offering superannuation programs to all secondary or tertiary students to assist them in being better informed consumers of superannuation products before they

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<sup>2</sup> Tone Chardon et al, 'Are Australians under or over confident when it comes to tax literacy, and why does it matter?' (2016) 14 *Journal of Tax Research* 650-682 at 651,

<sup>3</sup> Laura De Zwaab et al 'Engagement with superannuation: Is there really a gender gap?' (2015) 4 *JASSA* 12-18.

potentially enter the work force.<sup>4</sup> I can see that suggestion triggering a tsunami of teachers willing to undertake that task!

The Financial Literacy Australia Grants program has the aim of supporting not for profit organisations to advance financial literacy in Australia. In 2016 two of their grants related to superannuation literacy. The first is an interactive computer-based intervention to be used at point-of-sale for superannuation products – a ‘teachable moment’.

CHOICE, the consumer advocacy group has conducted research with consumers on the triggers and barriers to engagement with superannuation and possible solutions. Funded by FLA, they are piloting a ‘chat bot’, a digital superannuation advice application that can be embedded in social media aimed at two particularly disengaged groups, young adults (encouraging things such as account consolidation) and expectant new mothers with the aim of improving awareness of a career break on retirement incomes and suggesting simple actions, where affordable to reduce this impact.

The deficits in financial literacy when it comes to superannuation, the barriers to engagement in the topic highlight the importance of the role of superannuation law and the regulation of superannuation providers. The frequent changes to the system, its complexity, the tendency of so many people to bin or delete their super statements without engaging in serious retirement planning places a huge onus on the Superannuation Industry and its regulators.

Before I formally open the conference I would like a moment to extol the virtues of this beautiful State. I do hope that you have the opportunity to enjoy and explore it after the conference. In thinking of what I could talk to you about today I was tempted to forget about Superannuation and read aloud Peter Heerey’s guide – called ‘Hobart – a guide for innocent Mainlanders’, which he prepared for conference delegates at a judges’ conference some years ago. It is a gem: restaurant guide, walking guide, a guide to museums and galleries with suggestions for out-of-town destinations and routes interspersed with a legal anecdote or two and notes about writers and artists. Although it probably needs a third edition Peter, as

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<sup>4</sup> Above n 1.

restaurants particularly tend to come and go. But do keep the last comment. And I quote:

“If your visit to Hobart is in any way employment-related, don’t forget to put in for your hardship allowance.”

I would add to Peter’s recommendations some of our bushwalks and wilderness experiences. We are fortunate to have Mt Wellington, or Kunanyi, so close to Hobart. It has wonderful walks of varying lengths and degree of difficulty. My favourite is the track beneath the organ pipes which runs from the Springs to the Chalet. This tends to be much more sheltered than the summit and as well as stunning views on one side of the track has the spectacular organ pipes towering over you on the other.

We have in Tasmania some wonderful national parks – Mount Field National Park and Freycinet National Park had their centenaries last year. And we have the Tasmanian Wilderness World Heritage Area, an area of 1.6 million hectares. I can recommend rafting on the Franklin in the World Heritage Area – something I did in January for 8 days.

And on that note, I take much pleasure in declaring open your 2017 Conference and I wish you all a productive conference.

Thank you.