

INTRODUCTION TO THE SPECIAL SECTION

on superannuation

DEBORAH RALSTON SF Fin
Professor, Department of Banking and Finance, Monash University and Cluster Leader,
CSIRO-Monash Superannuation Research Cluster

This section of JASSA includes four papers written by researchers in the CSIRO-Monash Superannuation Research Cluster. Since its inception in September 2013, the Cluster has brought together researchers from Monash and Griffith Universities, the University of Western Australia, the University of Warwick in the UK, and CSIRO's Data61.

Built around a \$3m Flagship Cluster Grant from CSIRO, the Cluster seeks to build connectivity with industry and policy makers to maximise the impact of the research. The research capacity of the Cluster is expanded through industry investment from ANZ, AMP Capital, BT, Cbus, Challenger, Mercer and Vanguard.

Researchers meet with the Cluster's Stakeholder Group¹ four times each year to discuss the research program and present outcomes, which are disseminated in working papers throughout the year. The research projects address two key themes: 'Superannuation and the Economy' and 'Australians over 60'.

The first paper in this section of the journal addresses how people draw down their superannuation savings. A team from CSIRO including Thomas Sneddon, Andrew Reeson, Zili Zhu, Alec Stephenson, Elizabeth Hobman and Peter Toscas use ATO data on SMSFs and APRA data on APRA-regulated funds to undertake a longitudinal study of withdrawals from account-based pensions to provide a better understanding of drawdown patterns in retirement. The analysis indicates that most retirees in their 60s and 70s draw down on their account-based pensions at modest rates, close to the minimum amounts each year, indicating that if these drawdown rates were to continue, most retirees would die with substantial amounts unspent. These findings are consistent with empirical evidence to date that suggests retirees are inclined to draw down their wealth relatively slowly.

One of the great strengths of this research program has been the behavioural finance insights from Cluster Project 3 regarding individuals' decision-making with respect to their superannuation savings. Led by Professors Gordon Clark and Paul Gerrans, of Monash and Oxford Universities, and the University of Western Australia, respectively, the team utilises a database from Mercer Australia of the accounts of 600,000 superannuation members over 10 years.

In the second of the papers presented here, Paul Gerrans, Maria Strydom, Carly Moulang and Jun Feng examine the extent to which demographic and social factors are associated with changes to individual wealth accumulation trajectories in retirement savings. Specifically, the team investigates the switching behaviour of members, distinguishing between a switch in investment choice for future contributions as opposed to a change in the investment choice for the accumulated balance. The researchers find major differences in both types of investment choice between genders, and also that members with higher balances, larger contributions and greater time in the fund are more likely to make changes.

Very sadly, one of our star young researchers from Cluster Project 3, Maria Strydom, passed away unexpectedly several weeks ago, and the team dedicate this paper to her in view of her outstanding contribution.

In another paper from Cluster Project 3, Jun Feng and Paul Gerrans provide an empirical analysis of long-term trends in voluntary contributions to superannuation in Australia. They assess the role of demographic and socio-economic factors in predicting contribution behaviours with respect to both pre-tax (salary sacrifice) and post-tax savings, and the relationship between the two types of contribution. Their results indicate a decline in participation in both pre-tax contributions and post-tax contributions between 2002–03 and 2011–12 due to lower participation among new members. Participation in pre-tax contributions is higher for males and increases with age and income, whereas participation in post-tax contributions reduces with income and is lower for males.

Finally, Professors James Giesecke, Peter Dixon, and Maureen Rimmer from the Centre of Policy Studies at Victoria University, explore the relationship between the growing pool of superannuation funds and the real economy. Using a new type of computable general equilibrium, the team models the macroeconomic effects of a one-percentage point increase in superannuation contributions. The results indicate that a rise in the superannuation contribution rate increases long-run real GDP, largely via an increase in the savings rate. At the same time, the investment activities of the superannuation sector boost short-run employment and housing investment.

The four papers presented in this edition of the journal are a sample of the work which can be accessed from the website www.superresearchcluster.com

Note

1. The Stakeholder Group also includes the Australian Institute of Superannuation Trustees (AIST), the Association of Superannuation Funds of Australia (ASFA), the Australian Taxation Office (ATO), the Productivity Commission, Federal Treasury, the Financial Services Council (FSC), and the National Seniors Productive Ageing Centre.