

Employer Super Survey 2009



Prepared November 2009 for

Dear Employer

The recent market turmoil of the global financial crisis, wholesale destruction of financial value and high levels of financial uncertainty have failed to stimulate Australian employers to shine the spotlight on their company's superannuation scheme. Many have never reviewed their choice of default super fund – a worrying indicator of how disengaged employers remain when it comes to superannuation and the funds that are intended to provide and safeguard the financial future of their employees.

Here are some of the highlights of the inaugural Employer Super Survey, conducted jointly by www.super.com.au and AHC Pacific:

- > Over half of the employers surveyed (52%) have not reviewed their choice of superannuation fund in the past three years. Of these respondents, 28% have never reviewed their choice of fund.
- > While 42% of employers say that they are satisfied with their current fund, the lack of review frequency and engagement challenges this notion. Of the respondents, 32% do not view superannuation as a business priority and for the remaining employers they cited lack of resource and expertise to do so, as a major reason for the absence of review.
- > Two thirds of employers (64%) offer a standard 'off the shelf' superannuation fund, rather than one that is tailored to suit their employees.
- > Employers were divided roughly in half when it came to offering additional super benefits for staff over and above the standard 9% super guaranteed. For those that didn't (53%) they cited cost as the major barrier, but 36% said that they were not aware of such options.
- > Despite hot debate on the subject of fees and fund performance, these were ranked of least priority to employers. Value for money is a key driver, with quality products and services being the most important.
- > Employers feel that they carry the least burden of responsibility for ensuring employees' financial literacy (17%) – with super providers (34%), financial advisers (27%) and employees themselves (21%) being responsible.

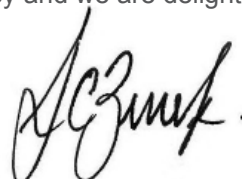
These findings indicate that employers might be missing valuable opportunities to support their talent attraction and retention initiatives, and they are not realising positive employer kudos for the super contributions that they make. Furthermore, having a well-designed default options from the outset looks to be of paramount importance, particularly if the necessary resource, expertise, or motivation does not exist within the business to review funds on a more regular basis.

For superannuation providers, these findings present the overwhelming need for improved engagement and education with employers. The challenge however, lies in capturing their attention in the first instance. This requires creative thinking and a repositioning that places superannuation funds at the heart of the employer offer. Providers now have the chance to re-tell their story in a fresh way in the wake of the global financial crisis and the innovators will reap the rewards.

Thank you to everyone who took the time to participate in this survey and we are delighted to share these findings with you.



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Research methodology

This research was carried out online in October 2009 and promoted through the HR Leader website and **www.super.com.au**. An email invitation was sent to HR Directors and those responsible for managing their company's superannuation arrangements. Each email contained a link allowing the respondent to access the survey online. There were over 250 respondents to the survey, out of these 60 completed it.

Types of fund

- > Researchers suspect that some respondents were confused by the definition of fund types. Results indicate that the majority of employers offer an industry fund as the default, 29% offer retail funds and 14% corporate funds. This is a much higher percentage of corporate funds than expected.
- > While over half of employers offer an industry fund as their default option, only a third select their fund purely on the basis of the specific union or industry in which they operate.
- > Just over a third of companies select their super fund on the basis of a company review. However infrequency of these reviews (as shown in Figure 5) highlights that employers are not actively engaged with their funds or the fund selection process. One in five employers, 19%, leave it to their advisors to select the default fund on their behalf.
- > Other reasons driving fund selection tended to be historic, with respondents saying the fund was chosen by their predecessors. Only one respondent said that staff selected their own fund.

Fig. 1

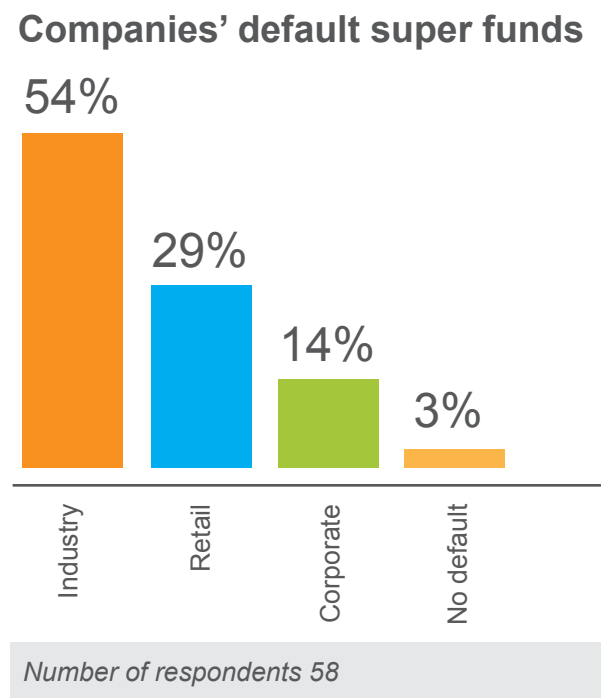
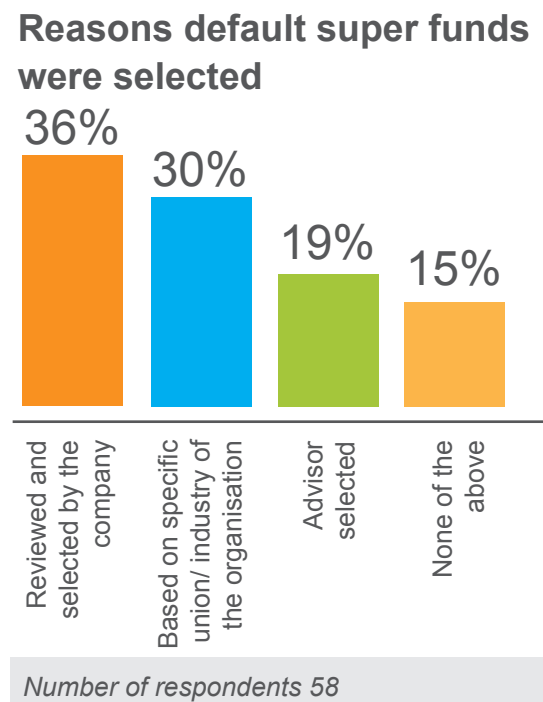


Fig. 2

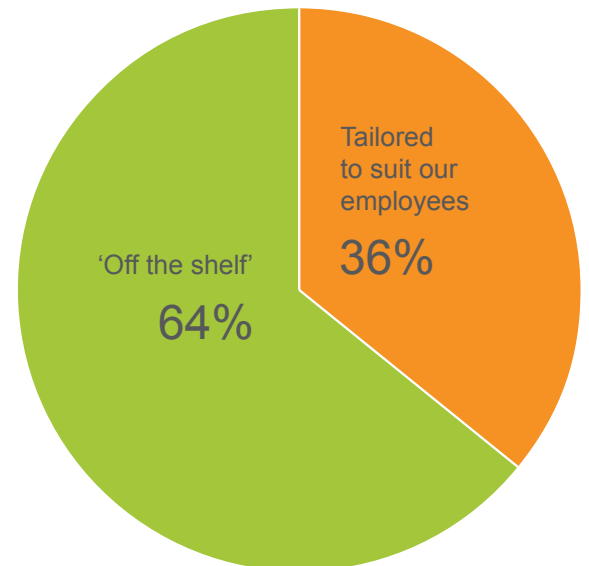


Selection of fund

- > Around two thirds, 64%, of employers offer a standard, 'off the shelf' super fund, compared to just one third who offer a fund that is tailored to suit their employees.
- > The high volume of industry fund users who participated in the survey is likely to be the reason for the dominance of standard offers, as they tend to have a more rigid product structure.
- > Employers might be missing valuable opportunities to use tailored super offerings to support their talent attraction and retention objectives.

Fig. 3

Is your fund tailored or 'off the shelf'?



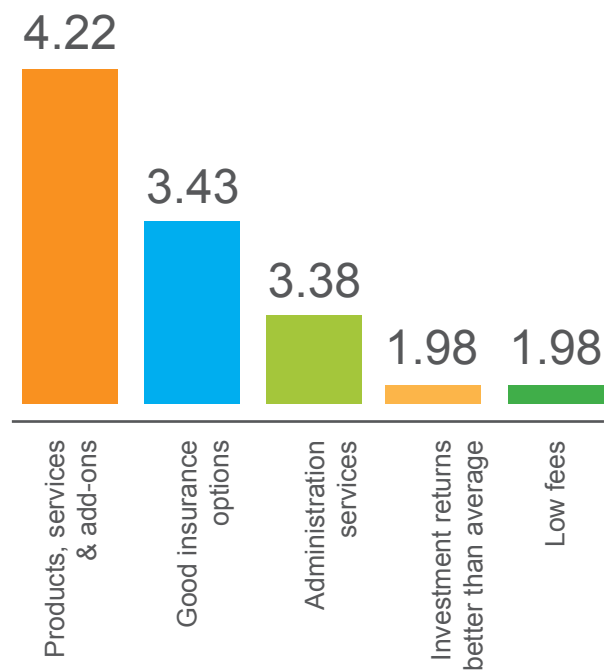
Number of respondents 58

Selection of fund continued

- > Quality products and services are the features of greatest importance to employers, while fees and investment returns ranked of least importance to employers.
- > This result challenges the notion of fees being too expensive in the current market place.
- > Value for money is a key driver when reviews take place and people are looking for quality products and services, ahead of cheaper fees.

Fig. 4

Features driving super fund selection



Number of respondents 58
Score shown is average ranking out of five.

Reviewing the default super fund

- > Over half of the employers (52%) have not reviewed their choice of super fund in the past three years, despite the global financial crisis and poor fund performance. Of those, 28%, have never reviewed the choice of fund.
- > Where employers choose not to review their funds very often, they say that this is primarily because they are satisfied with their current fund or that reviews are not a business priority. Given the infrequency of reviews, how can employers gauge satisfaction levels?
- > A significant number of those who answered 'other', comment that they do not review their fund because of the lack of resources or expertise within the business. This implies there may be a large number of employers that are prevented from reviewing their funds by the logistics of doing so.

NOTE: Those who answered 'More than 5 years ago' or 'Never' to the question 'When was the last review of the default super fund conducted?', were routed to the question in Fig. 6, 'Why do you not review your choice of default super fund more regularly?' All others skipped this question.

Fig. 5

When was the last review of the default super fund?

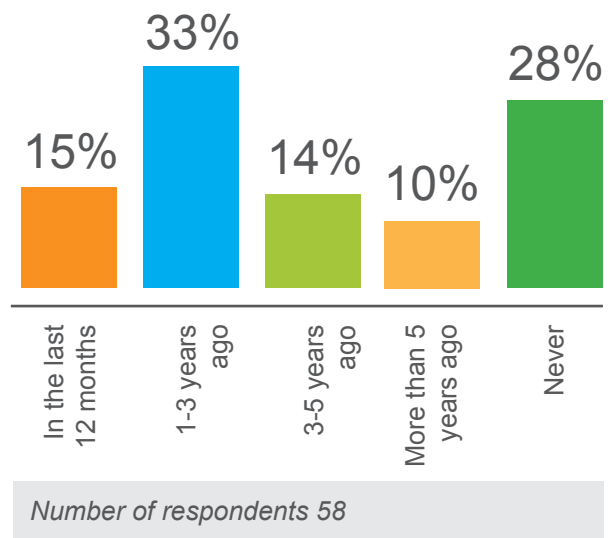
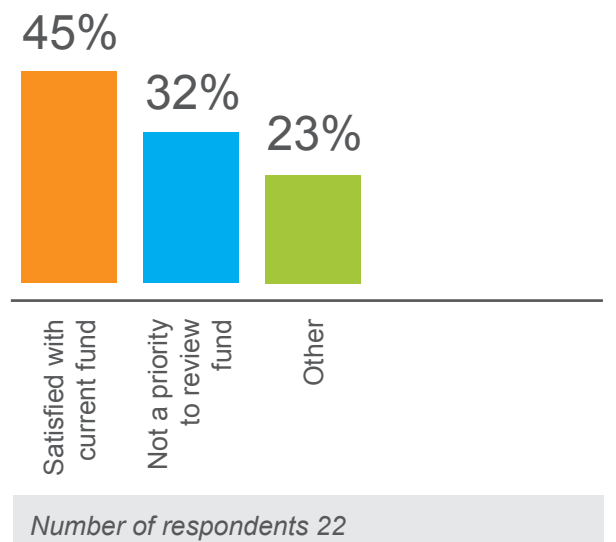


Fig. 6

Why not review fund more regularly?

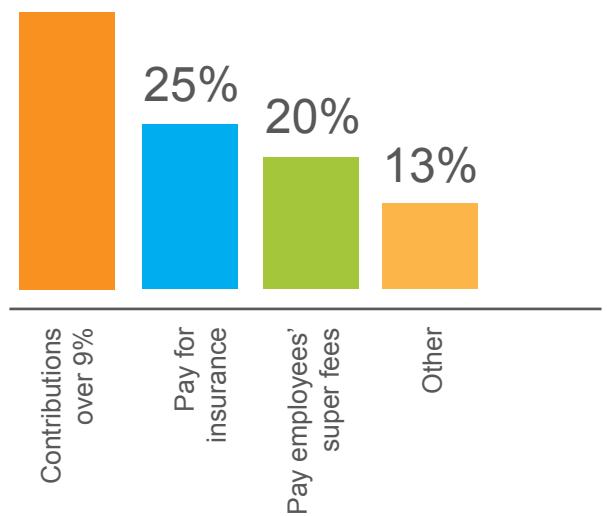


Additional benefits

- > Of the employers that responded, 53% do not offer any additional superannuation benefits, while 47% do.
- > The most common additional benefit offered is for employers to contribute more than the mandatory 9% of salary into the super fund.
- > A quarter, 25% and 20% respectively pay for insurance or pay the employees' super fees.
- > Other common additional benefits mentioned include salary sacrifice.
- > The most common reason for not offering additional benefits is cost.
- > A relatively high number of those that do not offer additional benefits said that they were unaware of the options for offering additional benefits – representing an excellent opportunity for super funds to build awareness and educate employers about the range of options available.

Fig. 7

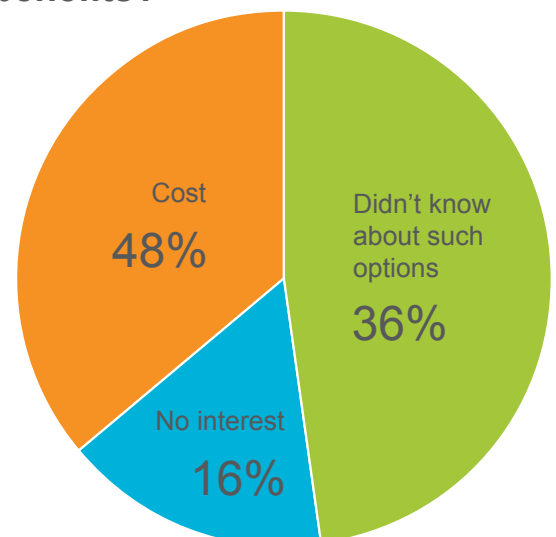
Additional benefits offered 42%



Number of respondents 40

Fig. 8

Why do you not offer additional benefits?



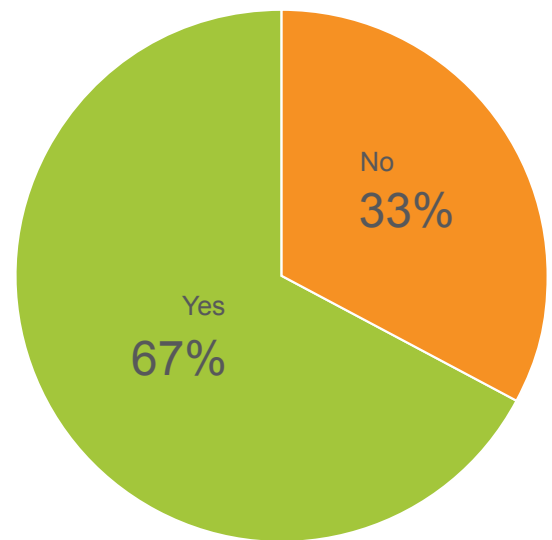
Number of respondents 31

Advisers

- > Two thirds of employers have an adviser as part of their super fund. Given this high percentage, it seems surprising that there is such a low awareness of the ability to introduce additional benefits for employees.
- > The range of adviser services offered is fairly standardised. Only one employer mentioned a service not listed in the survey: their advisers offer an annual lunch with a key note speaker on important economic issues, including recommendations on how and where to invest.
- > Communication tools such as updates and education forums are a common part of the advisers' services, as is financial advice.
- > Policy committee meetings are offered by a smaller number of advisers than the other services – only 11% offer this service.

Fig. 9

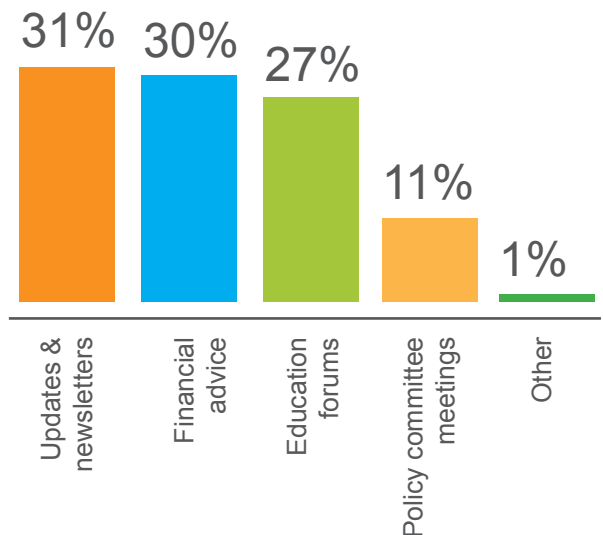
Do you have an adviser as part of your super fund?



Number of respondents 91

Fig. 10

Adviser services offered



Number of respondents 60

Payment options

- > For the 9% guaranteed super contribution the most popular method of payment is Electronic Funds Transfer (EFT).
- > Only 27% of employers are using clearing houses to make payments – although with the recent announcements that Medicare will act as the de-facto electronic payments service for the super industry in 2010, we can expect this to increase significantly.
- > Only 7% continue to pay into default funds via cheque.
- > Payment methods for employees outside default company super funds are much more diverse, with a much higher number of employers making payment by cheque or through other methods.

Fig. 11

Payment methods of the 9% super guarantee contribution

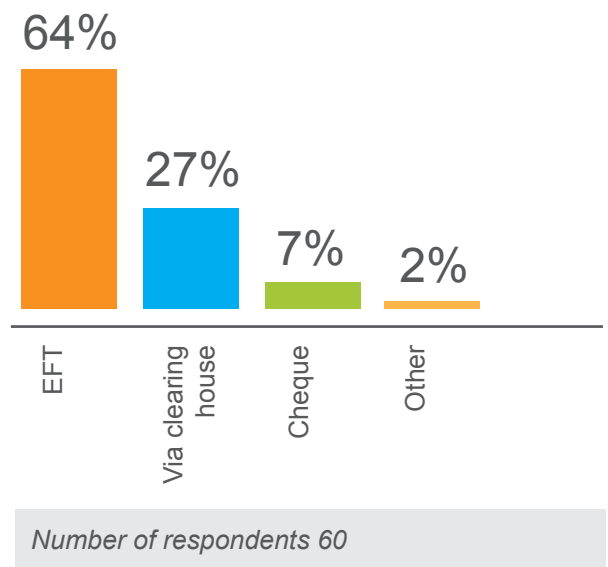
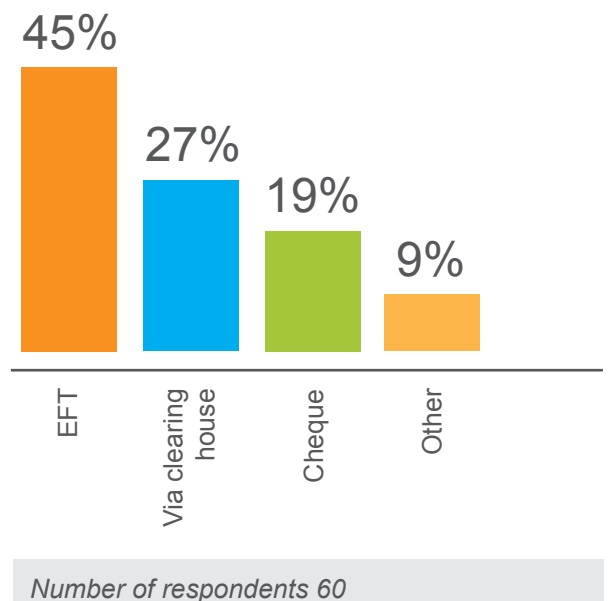


Fig. 12

Payment methods for employees outside the default fund

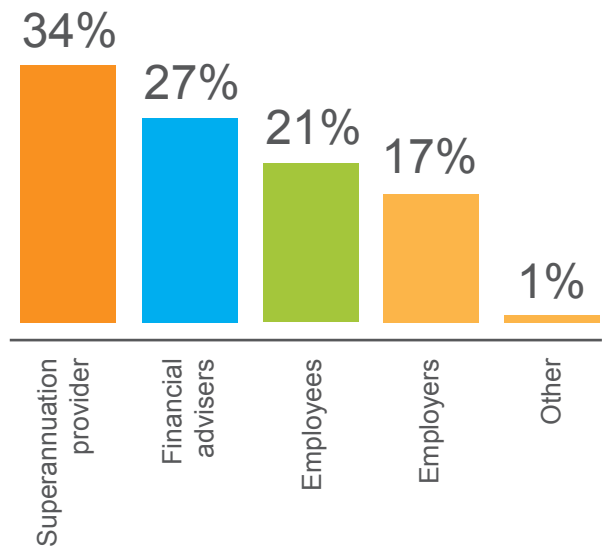


Employees' financial education

- > Employers feel that they carry the least burden of responsibility for ensuring employees' financial literacy.
- > Employers believe that super providers themselves hold the greatest responsibility for improving financial literacy, followed by financial advisers.
- > We know that many Australians are poorly equipped to make decisions about finances, they feel negatively or are apathetic about retirement planning and as such, their financial destiny is worrying.
- > The ability of employees themselves, superannuation providers and financial advisers to each fulfil their responsibilities in the financial education space, hinges on employers stepping up their role as facilitators in the process.

Fig. 13

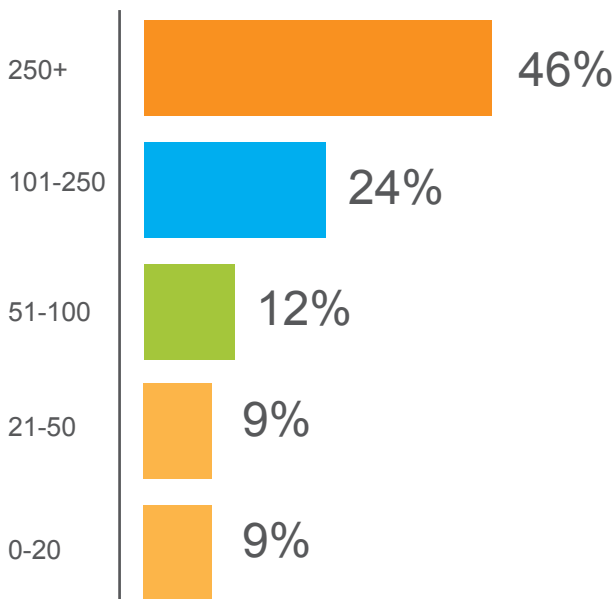
Responsibility for improving financial literacy and understanding of adequacy for employees



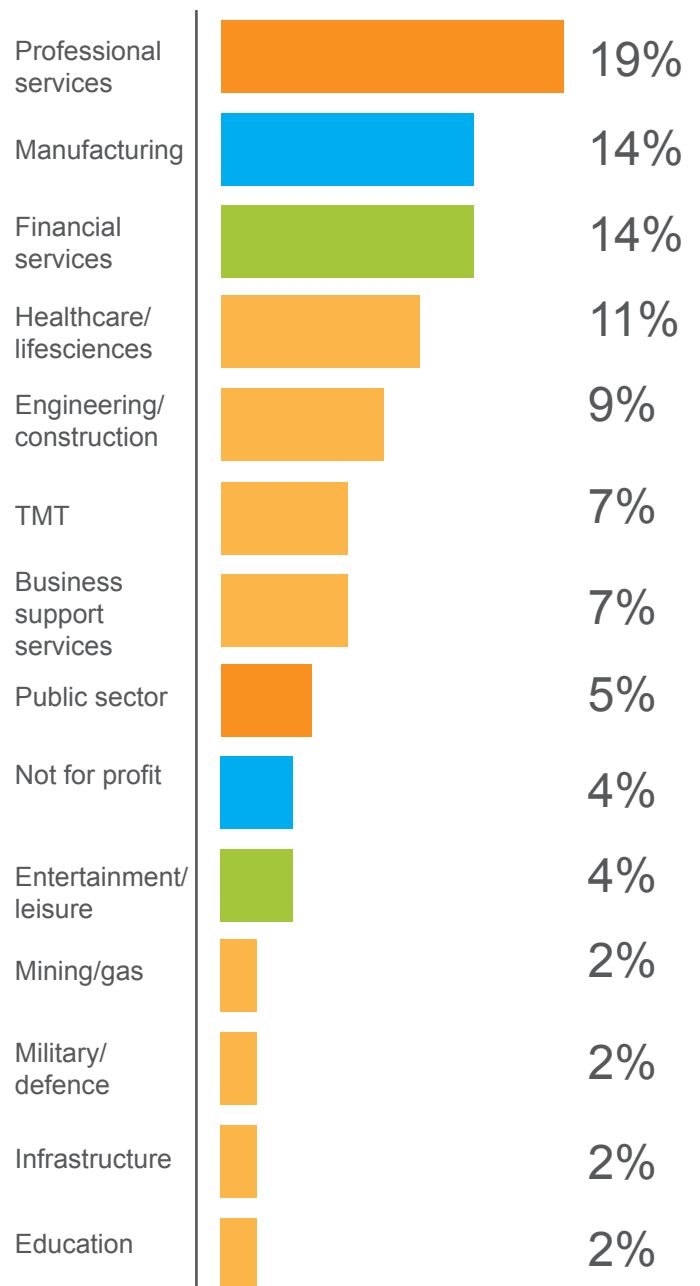
Number of respondents 60

Respondent demographics

Number of employees in company



Sector *



Number of respondents 60

* In some cases the figures do not total 100% owing to rounding.

For further information

Financial education means different things to different people. To some it means financial literacy, that is, a basic understanding of money and how it works. To others it means knowing how to invest. To others it means an understanding of the retirement planning process and the ability to engage meaningfully in it.

At AHC Pacific we have experience in all three and have been fortunate in developing some of the leading financial education resources available in Australia and the United Kingdom. If like us, you agree that financial education is the key to informed choice, we would like to help you. If you do not, we would like the opportunity to persuade you.

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The task of managing your employees' superannuation payments can be complex and challenging. It can become costly and may impact how efficiently your business is run, especially if you have to pay multiple super funds. It doesn't matter how big or small your business is, if you have employees, you are responsible for managing their superannuation guarantee payments.

We invite you to contact www.super.com.au for a complimentary Super Health Check to ensure that your employees are getting the most of their super.