



HESTA is run to benefit members - not to profit from them



HESTA is the only fund dedicated to health and community services

HESTA Submission- Early release of superannuation benefits February 2019

Review of Early Release of Superannuation Benefits – February 2019

HESTA welcomes the opportunity to provide some brief comments on the *Early Release of Superannuation Benefits* consultation paper released by Treasury in November 2018.

HESTA's purpose is to make a real difference to the financial future of every member and we strive to be a gutsy advocate driving meaningful change for generations to come.

Superannuation should be a long term savings vehicle to help fund a dignified retirement. It should not be used as a proxy for social security and other assistance and should not be viewed by governments as the solution to social, structural or systemic problems in society.

Early access to superannuation before retirement should only occur in limited circumstances. HESTA acknowledges this is a difficult area of policy given the inherent trade-off between genuine immediate need and long-term needs.

To promote consistency, equity and integrity of the system, the conditions of release should be clearly defined and consistently applied across all funds and all applicants.

We have confined our comments to:

- *DRAFT PROPOSAL 7 – FAMILY AND DOMESTIC VIOLENCE*
- *DRAFT PROPOSAL 11 – SEVERE FINANCIAL HARDSHIP TEST; and*
- *DRAFT PROPOSAL 12 – ADMINISTRATION OF SEVERE FINANCIAL HARDSHIP.*

We are pleased to note that a number of recommendations from HESTA's February 2018 submission¹ regarding early release have been adopted as draft proposals in the consultation paper.

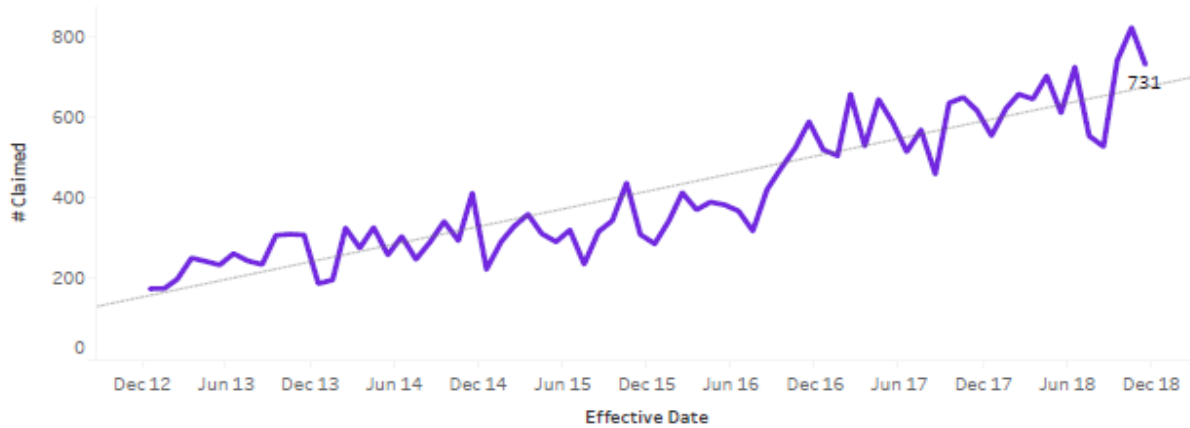
We welcome the opportunity to discuss our submission further. Should you have any queries please contact James Bennett, Social Impact Specialist on (03) 8665 9217
jbennett@hesta.com.au

¹ <https://treasury.gov.au/consultation/c2017-t246586/>

HESTA experience of early release

We note that early release has been increasing (as shown below).

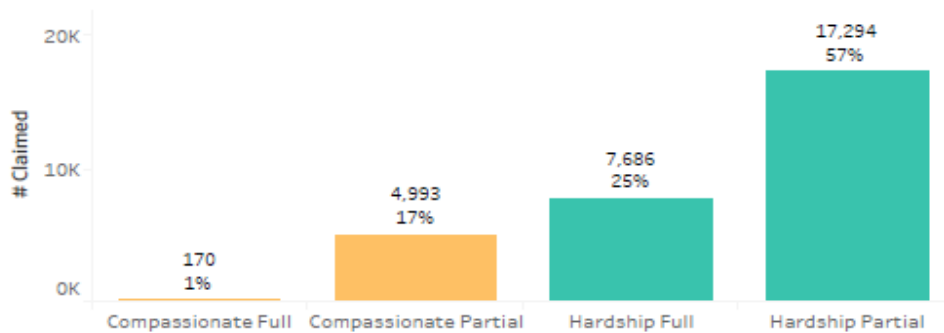
Early Redemption trend since Jan 2013



Early Redemption Breakdown by dates

	Compassionate Grounds	Financial Hardship	Grand Total
2013		2,980	2,980
2014		3,496 ▲ 17%	3,496 ▲ 17%
2017	1,656 ▲ 26%	5,241 ▲ 46%	6,897 ▲ 41%
2018	2,096 ▲ 27%	5,804 ▲ 11%	7,900 ▲ 15%

Early Redemption Category



These figures are compounded by members who rollover to HESTA from funds who currently don't offer early release and then access HESTA's early release processes shortly after. This creates unnecessary churn in the industry and the costs incurred are distributed across our membership base. When this cost is borne by our members simply because another fund has chosen to opt out of the service it becomes a matter of fairness. It should not be the choice of individual funds as to whether they allow early access.

DRAFT PROPOSAL 7 – FAMILY AND DOMESTIC VIOLENCE

Add a new compassionate ground of release for victims of family and domestic violence by permitting multiple releases over a 24 month period, per person, up to a \$10,000 cashing restriction, subject to judicial evidence or two pieces of specific non-judicial evidence confirming the individual is a victim of family and domestic violence.

As a fundamental principle governments should adopt a coordinated approach to addressing the root causes of family violence and prevent it from occurring in the first place. Governments should also provide adequate services to ensure victims are supported.

HESTA supports the proposed amendment to allow early release of superannuation on compassionate grounds to include domestic and family violence and we note this was a recommendation in our previous submission. However, HESTA also strongly supports the community sector's calls for better funding to be provided to support women facing family violence.

The proposed proof required to support a claim appear reasonable and could be provided by an appropriate medical professional, police or recognised social or community sector worker attesting to the existence of family violence.

The release of money should be in the context of appropriate support and consideration be given to not creating additional administrative burdens on already stretched frontline family violence and legal service providers. This is why HESTA strongly supports ongoing consultation with the community sector on implementation.

Unfortunately, the 2016 Senate Inquiry report *A husband is not a retirement plan* noted that women usually retire with approximately half the retirement savings of men.² Given this substantial gap in retirement balances the consequences of a woman accessing her superannuation early can significantly reduce retirement adequacy.

HESTA accepts that early access for victims of family violence is justified as an immediate measure; however, in the longer term victims should not have to sacrifice their retirement due to the actions of the perpetrator. HESTA encourages exploration of the option for superannuation accessed by the victim to later be recovered from the perpetrator's super account.

By ensuring the money stays preserved for the victim's retirement, the role of the taxpayer is protected as the victim is less likely to rely on public funding schemes during retirement.

HESTA supports Draft Proposal 7 and recommends further exploration as to how victims of family and domestic violence can recoup losses from early release they are forced to incur due to a violent crime.

² Senate Economics References Committee (2016). *'A husband is not a retirement plan' Achieving economic security for women in retirement.* p.9.

DRAFT PROPOSAL 11 – SEVERE FINANCIAL HARDSHIP TEST

Amend the severe financial hardship ground by:

- expanding the Commonwealth income support payment test to a cumulative period of 26 weeks out of 40 weeks;

HESTA has previously recommended that the 26-weeks of continuous eligible Commonwealth income support payments be changed in light of the growing number of people working in casual and/or unstable work arrangements that may mean they are still experiencing severe financial hardship

In the health and community services sector the “gig” economy is growing and jobs may be ad hoc, unreliable and unstable. Taking a small job on an ad hoc basis is unlikely to relieve severe financial hardship but does represent an interruption to Commonwealth income support payments. The current test represents a very high barrier and potentially does not meet the spirit of the principles of early release.

HESTA supports Draft Proposal 11 to expand the Commonwealth income support payment test to a cumulative period of 26 weeks out of 40 weeks.

DRAFT PROPOSAL 12 – ADMINISTRATION OF SEVERE FINANCIAL HARDSHIP

Transfer the administration function of the severe financial hardship ground to the Australian Taxation Office (ATO), consistent with the transfer of the compassionate grounds function to the ATO.

HESTA supports this proposal and encourages a consistent approach to the processing of all early release claims both for a better member experience and to ensure that members are not unnecessarily churned from funds who, use the trustee discretion, not to offer an early release service.

Members can suffer under the current regime with potentially different business rules, processes and evidentiary requirements applying to applicants. HESTA and other funds are also aware of examples where members switch funds specifically to access early release on the grounds of severe financial hardship. This adds unnecessary costs across the system.

The opportunities of a consolidated approach to early release go beyond the processing consistencies. Of the many thousands of HESTA members experiencing financial distress, only around 70% meet the high barriers to successfully have super released early. Further consideration will need to be given to the role of the ATO to assist those members who continue to face distress.

HESTA is pioneering a number of partnerships with referral agencies to help members find financial resilience. We were the first superannuation fund to enact a Financial Inclusion Action Plan and have outlined our commitment to member’s financial resilience.

HESTA supports Draft Proposal 12 that the ATO be provided with the authority to determine financial hardship applications as well as compassionate grounds. In addition all superannuation funds should be required to allow early release of preserved money.³

³ As recommended in HESTA’s submission in February 2018.

About HESTA

HESTA is an industry superannuation fund, established in 1987 to provide retirement benefits for workers in the Health and Community Services Sector, and we operate only to benefit members. We have over 870,000 members and manage over \$46 billion of members' assets.

The typical HESTA member is aged 43, female and has a balance of approx. \$22,000 in superannuation.

Because of our traditional industry base our members are:

1. More likely to live for five years longer than an average Australian male
2. More likely to suffer the inconsistencies and discrimination of the gender pay gap
3. More likely to take time out of the workforce on periods of unpaid leave
4. More likely to be at risk of poverty in retirement.

Our purpose is to make a real difference in the financial future of every member.