

MEMBER PERSPECTIVES

Insights from members on their experience of superannuation as a public sector employee and views on Responsible Investment



STATE SUPER
SAS Trustee Corporation





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FOREWORD

Discussion of superannuation is a crowded space. There is no shortage of organisations and individuals keen to share their views. For State Super, the most important viewpoint has always been that of our members.

State Super has a deep and ongoing commitment to understand the priorities of our members. Understanding members' views on key issues is essential if we are to best represent their interests.

This report summarises three virtual Member Advisory Forums (Forums) run by State Super (SAS Trustee Corporation). The Forums explored two topics: member experience of superannuation as public sector employees; and members views on Responsible Investment.

We heard from over 100 members, spread across all of NSW and from different occupation groups. The Forums were a tremendous opportunity to hear from our members and see them engage in robust discussion about important issues. Alongside previous State Super studies, such as *Beyond Paid Work - The realities and redefinition of retirement in Australia*, the Forums contributed to us having a better understanding of our working and retired members' experiences and views.

Members reflected deeply on how important superannuation generally, and their defined benefit pension specifically, was to their peace of mind in or when considering retirement.

While some other consistent themes emerged, the Forums also highlighted the diversity of needs, circumstances and personal preferences of our members. The importance of the provision of quality information and the need for ongoing engagement were reiterated time and again.

We thank our members for their robust engagement and for their frank feedback.

I trust that this report will reveal insights that will inform, inspire and stimulate change. We will use the knowledge gained to strengthen our relationship with members.



John Livanas
CEO State Super

CONTENTS

INTRODUCTION	PAGE 7
KEY INSIGHTS	PAGE 10
MEMBER INSIGHTS ON THEIR EXPERIENCE OF SUPERANNUATION AS A PUBLIC SECTOR EMPLOYEE	PAGE 12
MEMBER INSIGHTS ON RESPONSIBLE INVESTMENT	PAGE 16

INTRODUCTION

State Super is committed to meeting the needs of its members.

We were one of the first superannuation funds to codify our promise to members in five member beliefs (see graphic at right). To ensure we live up to our member beliefs, and best supports their interests, State Super regularly seeks the view of our members.

Our annual Member Satisfaction Research, which we first commenced in 2013, helps us understand member satisfaction with our core services. We also closely review members' comments and views collected by the Customer Service team.

To further enhance our understanding of members views, over 2020 and 2021 State Super conducted three virtual Member Advisory Forums (Forums).

We asked members to share insights on:

- their experience of superannuation as public sector employees
- what Responsible Investment means to them.

State Super promises to:



About State Super

State Super is the Trustee of the State Authorities Superannuation Scheme (SASS), State Superannuation Scheme (SSS) and Police Superannuation Scheme (PSS). State Super is one of Australia's largest superannuation schemes with over 93,000 members and \$38 billion in assets (as at 30 June 2022).

State Super traces its history back to 1919, when the NSW Government first offered a retirement benefit to public service and public sector workers. The various funds were closed to new members between 1985 and 1992.

Of our 90,000 members, around 24,000 are still working, with the majority of the remainder retired.

Around 66% of members, or 60,000, are currently on a defined benefit pension.

A cross-section of State Super members were invited to participate in the Forums.

Across the three forums, over 100 members, drawn from different parts of the NSW public sector, shared their views.

The graphic below provides some further details on the diverse nature of members who participated.

To aid their participation, the invitation to the Forum provided some background on the two topics. State Super Board members and staff joined the Forums to answer any questions.

The value members received from attending the Forums was evident in the feedback they provided through a follow-up survey.

The overwhelming majority of members:

- provided positive feedback on their participation in the Forums
- noted they would recommend to other members that they participate in similar forums
- commented that they were grateful for the opportunity to contribute to State Super's future direction
- believed the Forums discussed important topics
- said they would be keen to participate in similar events in the future.

The quotes at right serve to further highlight these sentiments.

“It was a great way for people to give their opinions towards a common goal, i.e. a better super fund.”


“It was a great experience and I would like to be involved in similar events.”

“It was a wonderful experience, and I am glad that I was invited to participate.”

“The concept behind the Forum is important, i.e. more input from members and a commitment to utilise the suggestions for future planning.”

“Great idea! Well run. I will be telling my friends about this and encouraging them to get involved.”

110
attendees

 **40**
female

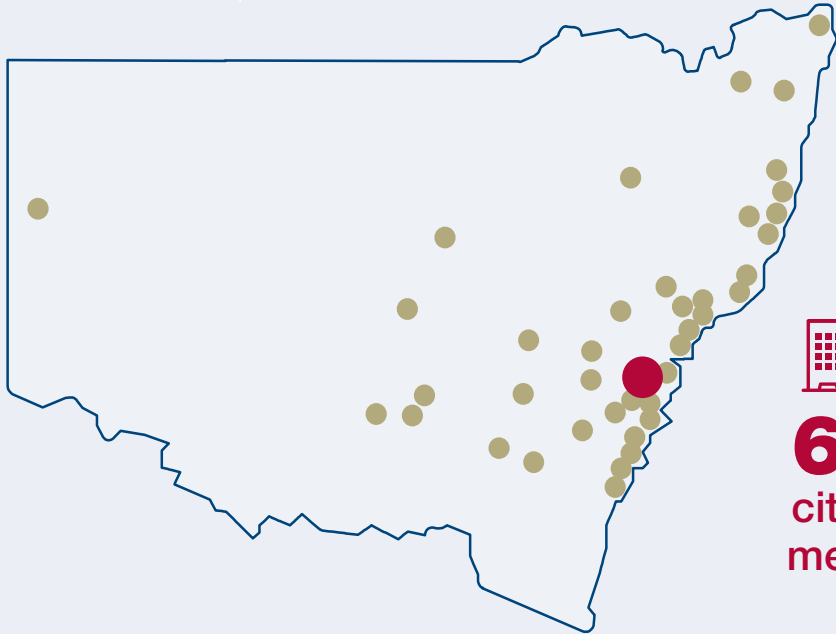
70
male 

 **52**
working

58
retired 

Using current agency names, attendees experience covered the following NSW government agencies:

- Department of Communities and Justice
- Department of Customer Service
- Department of Education
- Department of Regional NSW
- Department of Planning and Environment
- NSW TAFE
- Sydney Water
- Transport for NSW



 **64**
city & metro

 **46**
regional & rural

KEY INSIGHTS

Across the three Forums, members shared many valuable insights on their experience of superannuation as public sector employees and Responsible Investment.

Five key insights are worth emphasis.

KEY INSIGHT #1

VALUE OF A DEFINED BENEFIT PENSION

As members’ understanding of superannuation grew over their career, and they appreciated the benefits of a defined benefit pension, they were incentivised to remain in the public sector. While most noted superannuation was not a driving factor in early career choices, the certainty of a defined benefit aligned with the value of security attached to public sector employment.

KEY INSIGHT #2

IMPORTANCE OF MEMBER CHOICE

Members emphasised how much they value having a choice in: whether they take a pension of lump sum upon retirement; and how their money is invested. Some suggested an opportunity for greater choice in where an individual member’s super is invested (for example in socially responsible or green investments). This choice must be supported by access to timely and clear information.

KEY INSIGHT #3

BUILD GREATER UNDERSTANDING OF RESPONSIBLE INVESTMENT

Members are keen to further understand what Responsible Investment means and how it is aligned to delivering desired risk/return objectives for members. Members are supportive of a Responsible Investment approach, provided this delivers good returns. They are interested in how State Super makes investment decisions, engages with other organisations and advocates for Responsible Investment. Consistent with State Super’s existing practice, this information should be easily accessible and easy to understand.

KEY INSIGHT #4

ENGAGE EARLY IN SUPERANNUATION

Members see the value of engaging in superannuation early in one’s career. While they noted the challenges with engaging young people in superannuation, they suggested that education and information are important to help ensure people best set themselves up for the future.

KEY INSIGHT #5

KEEP BUSY IN RETIREMENT

Members’ insights about retirement supported themes of previous studies, including *Beyond Paid Work*, such as the importance of:

- having friends and networks
- keeping busy
- re-engaging with former colleagues
- keeping active in retirement.

“I appreciated this opportunity and the active and very personal involvement of the SAS Trustee CEO, John Livanas.”

“It was good to hear from other members and their advice and experiences.”

“The Forum was willing to entertain many of the most relevant and difficult of issues.”

As an engagement mechanism, the Forums highlighted the value of bringing members together to:

- engage with peers, both those working and those retired
- engage in interesting discussions, share experiences and knowledge
- connect with the State Super team.

These benefits were evident in comments shared by members in the comments above from the follow up survey.

The insights shared, alongside the other mechanisms State Super uses to understand members’ insights, will help further position State Super to best supports its members.

EXPERIENCE OF SUPERANNUATION AS A PUBLIC SECTOR EMPLOYEE

Across the three Forums, members shared a broad range of insights about the relationship between their public sector employment and superannuation.

Three reflections were specific to their experience as State Super members, with three reflections pertinent to consideration of superannuation more broadly.

1. Reflections on being a State Super member

a. There is certainty and security from a defined benefit

A recurring theme across the Forums, and one emphasised by many attendees, was the high level of certainty and comfort that comes with a defined benefit, and receiving a guaranteed income in retirement. One member put it simply, stating a **“defined benefit is the best option”**.

Members emphasised that a defined benefit allowed them to confidently plan for life in retirement, as their retirement income was not subject to the volatility of investment returns and the stock market. This was seen as especially important in times of uncertainty, with many referencing the experience of COVID-19. One member noted that a “guaranteed amount allows you to adjust your lifestyle and plan; if it’s based on the markets, then you don’t have the same sense of reliability/security”.

Some members highlighted the link between the certainty of a defined benefit and a career in public service, noting people attracted to public service tended to value a greater sense of security. The security was seen as especially important for people who are not particularly interested in financial matters. As one member remarked, “you don’t have to make conscious and challenging decisions as you go through your working life”. Another shared: “I have no knowledge or interest in investment or the stock market. I’m just not interested. So, the security of the fixed benefit super was really important to me”.

b. Over time, the State Super scheme motivated people to remain public servants

Members noted that the State Super defined benefit scheme was not a factor that influenced their choice of occupation or decision to become a public servant. Though, over time, as members began to take greater interest in superannuation and thought more about retirement, the certainty of a State Super defined benefit was a strong motivation to remain a public servant.

Some members spoke about considering a career shift to the private sector, though as one commented “the State Super benefit was the reason I stayed in the public sector”. Others mentioned they stayed in the public sector on a part-time basis to retain the benefits of the SASS scheme.

One member, in expressing a sentiment shared by many, commented “During my three decades plus in the public sector, I was always told that this was the “golden egg” fund to be in and to never leave. Some of my friends who left the fund often talk about their regret at not knowing how beneficial the fund would be to them today”.

In reflecting on the discussion, some members did reflect on what could be done to better attract people to the public service. As one member commented: “Our challenge has been that we are finding it more and more difficult to attract younger people to the public service; especially in teaching and nursing, it is becoming more difficult”. To address this challenge, some members thought some form of defined benefit superannuation option was worth consideration.

c. Importance of accurate and well explained information

In line with State Super practice, members emphasised the importance of receiving accurate and well-explained information on superannuation. This was especially important to inform decisions with long-term implications. Members also noted the extra importance of accurate and easy to understand information as they approached retirement.

2. Broader reflections on superannuation

a. The value of guidance from family and friends

Many members emphasised their interest in superannuation was sparked by informal discussions with or guidance shared by family, friends and peers in the workforce.

“We never had any professional advice when we were young. If you were lucky, you had older workers or smart relatives telling you what to do.”

They emphasised value of this to help them make good decisions. Indicative of the comments shared by many were the following:

- “Father made sure we had super drilled into us. I learned a huge amount because I did a lot of investigation prompted by his guidance.”
- “I was fortunate enough to have other people more experienced that did advise me.”

b. Perspectives differed on the choice of a pension or lump sum

Members’ overwhelmingly believed people should have the choice to take a pension or lump upon retirement or some mixture of both. Echoing such thoughts, one member put it simply: “people shouldn’t be forced” into choosing a pension or lump sum upon retirement, as individual circumstances will vary.

In further exploring this choice, members noted that due to illness, family circumstances or lower life expectancy, individuals may be better suited to receive a lump sum. As one member remarked, “there are always people who might need to access a lump sum due to illness or family misadventure and no fault of their own”. Or as another remarked, “if your life expectancy isn’t going to be that great”.

Outside such drivers of peoples’ decision, most members emphasised the benefit of a full or part pension.

In support of this view, members noted that “receiving a lump sum requires a certain risk appetite and ideally the financial literacy, confidence and time to manage it”. The risk appetite was summed up by one member who noted “if you can’t manage it wisely or play the stock market then you’re left with nothing”. Another spoke of the time challenge, saying it can be “hours a day every day to manage”.

Numerous members shared cautionary tales of friends or family who had accessed a lump sum without the requisite financial literacy. One member put this simply: "A friend took the lump sum and lost the lot and is back on the aged pension."

Another was more expansive: "Tell you a sad story. A person I know decided to take his old scheme benefit as a lump sum. He invested it in a local business and the business went broke. This guy is now in his 70s and had to go back to teaching – not sure about his quality of life".

Many members drew the link between the choice of a pension or lump sum and the importance of well-explained information. One member put it starkly: "A lot of people do not understand the concepts involved and the gravity of their decision".

c. It is crucial to engage with superannuation early in your career

Members emphasised the value of engaging with superannuation as early as possible in your professional life. That said, they did realise the challenge of engaging younger professionals on superannuation as a long-term proposition. As one member remarked: "I joined the public service back in 1978, as a 19 year old, and at the time, superannuation was the least of my worries. Like most young people, not worrying about when I'm 60 or 80 or 100".

Notwithstanding this challenge, members spoke passionately about the importance of encouraging people to think carefully about super early in their career. As one member commented, it is important for "young people to realise that if you can't afford super when you're young you won't be able to afford it in the future. Long-term compound growth is the most valuable time".

Another spoke to sharing insights across generations, remarking: "In the context of our children, if you could give advice to your past self, you would give more consideration to super earlier".

The path forward, members emphasised, was education. One member put it succinctly: "Education is the trick to all of it. Putting out all that information is so important".

It's hard to push that idea on someone so young when they're living in the here and now and not looking at their future. It's hard to convince young people to think about their super".



MEMBER INSIGHTS ON RESPONSIBLE INVESTMENT

State Super is committed to ensuring that sustainable long-term investment returns are generated.

To ensure this, State Super’s investment decision-making process considers people, society and the environment, alongside financial performance. How State Super does this is set out in its Responsible Investment Policy. State Super’s approach is part of its ethos of delivering the best outcome for member returns.

Across the Forums, members understood Responsible Investment through a variety of characteristics. They referenced:

- **Sectors of the economy**, noting the link to sectors that support:
 - Environmental sustainability, such as climate change, renewables and balancing the needs of future generations
 - Improved social outcomes, such as aged care, affordable and social housing, childcare
- **The connection to Australia**, with the importance of investing in Australian companies and industries that will future-proof the Australian economy, including Australian based start-ups
- **Key company practices**, by not investing in companies with modern slavery practices and considering a company’s entire supply chain
- **Values that are important to members**, noting investments made need to be consistent with members’ risk profile.

In further exploring the topic of Responsible Investment with members three key themes emerged.

1. Responsible Investment must be consistent with maximising returns

While members supported a Responsible Investment approach, they emphasised that this must not come at the cost of generating good returns and ensuring investment decisions supported the best outcomes for retirees.

The following comments provide a flavour of the views shared:

- “At the end of the day, for me, it’s basically being able to get decent returns to live out retirement. I don’t expect any unethical investing but we really also need to be able to get returns that are going to be viable in retirement”
- “So it’s got to be a balanced view. I mean we don’t want to be the only ones that are saving the planet and everyone else has been profitable.”
- “Responsible investment, to me, is anything that sustains the planet – like solar energy, or reduced emissions. But you need to balance that with earnings – you need to be able to generate returns for us members.”

Building on such themes, some members drew the link between Responsible Investment and a superannuation fund’s responsibility to act in the best interests of its members. As one member remarked: “I don’t think ethical decisions and making a profit are mutually exclusive. I think they can go together”.

“Responsible Investment needs to be balanced with being able to generate returns for us members.”

“We need to be given choice and then members can decide for themselves.”



2. The investment decision making process must be transparent

Members felt that State Super (as a government superannuation fund) should lead by example and ensure there is transparency and visibility of what the fund invests in. One member noted that they “trust that State Super would invest in responsible causes, but having the specific information published would be great”.

Members emphasised the importance of seeing how their money is being invested with several suggesting that greater choice could be provided in terms of where an individual member’s super is invested. As one remarked: “We are given the options of investing in high growth, cash, low interest, etc. Is there a possibility to add another layer to add the option of opting out of unethical investing as opposed to just a total profit driven strategy”? Another member remarked: “We need to be given choice and then members can decide for themselves”.

Members were also interested in the process undertaken by State Super to direct investments and to engage with the companies they invest in.

As a specific example, members raised recent public discussion around Rio Tinto and Juukan Gorge, turning specifically to questions of governance.

Reflecting a sentiment shared by many, one member suggested she “Expected the super fund to be quick in putting pressure on those companies when there’s questions about their governance and ensuring they take appropriate action”. Members were also keen to understand the level of influence State Super had, especially “if we are a big shareholder”.

3. An opportunity to further engage and inform members about Responsible Investment

Members shared an overriding interest in wanting to understand what underpins State Super’s approach to Responsible Investment. Members noted they would appreciate more information on the various aspects of Responsible Investment.

As a specific example, members were quite taken to learn about the advocacy that State Super and its CEO conducts with companies they invest in.

LAST WORD

It is appropriate to give a member the last word.

Indicative of the sophistication of the discussion, one member spoke at length about the importance of governance.

“I’ve learnt over many years that governance is the way of stabilising the animal spirits of companies.

Governance retains the profit motive and drive for innovation for companies.

My version of governance is pulling the animal spirits in, but also keeping them alive, as it is the only way to move forward.

Everybody on the planet is going to go through big changes.

A lot of people will lose in the process. We have to stand by the devices which give us some oversight and agreement on what to do – that’s governance.”



CONTACT US

Member enquiries:
enquiries@stc.nsw.gov.au

Media enquiries:
statesupermedia@statesuper.nsw.gov.au



STATE SUPER
SAS Trustee Corporation