

10th April 2012

Ms Elizabeth Broderick
Sex Discrimination Commissioner and Commissioner responsible for Age Discrimination
Australian Human Rights Commission
Level 3, 175 Pitt Street
SYDNEY NSW 2000

Dear Elizabeth,

Application for Temporary Exemption under the Sex Discrimination Act

Initiative to close Superannuation Savings Gap for Females

Applicant

The applicant is Rice Warner Actuaries Pty Limited (ABN35 003 186 883) of Level 1, No 2 Martin Place, Sydney 2000.

Rice Warner is a consulting business providing advice to organisations operating in the financial services industry. Details about our services are set out on our website www.ricewarner.com

Length of Temporary Exemption

We seek the maximum period of five years. We consider that our initiative should in time become a standard exemption under the Sex Discrimination Act and we would hope that we would not need to reapply for an exemption after 5 years.

Activities Covered by the Exemption

We seek to pay an additional superannuation contribution for our female employees to compensate them for their extra longevity in retirement relative to male employees.

The eligibility age for the Age Pension is being increased gradually to age 67 (by 2024). Based on the most recent *Australian Life Tables (2008-10)*, a male currently aged 67 is expected to live on average for another 17.3 years whereas a female currently aged 67 is expected to live for another 20.1 years.

Thus, females need to save about 16% more than males to generate the same annual income in retirement (as their retirement benefit needs to be spread over a longer period). Our actuarial modelling demonstrates that this situation can be equalised by paying females 10.5% of salary where males receive 9%. The required female contribution rate will grow to 13.95% when the SG rate grows to 12% of wages.

Who is affected by the application?

The female employees of Rice Warner will be affected. The company will meet the cost as an employee benefit.

SYDNEY
LEVEL 1, 2 MARTIN PLACE
SYDNEY NSW 2000
PHONE: +61 2 9293 3700

MELBOURNE
LEVEL 20, 303 COLLINS STREET
MELBOURNE VIC 3000
PHONE: +61 3 8621 4100

BRISBANE
LEVEL 11, 167 EAGLE STREET
BRISBANE QLD 4000
PHONE: +61 7 3220 335

RICE WARNER ACTUARIES
ABN 35 003 186 883
AFSL 239 191

Why an Exemption is Necessary

An exemption is necessary as it is discriminatory to pay higher superannuation contributions to females. We believe our action will inadvertently breach the *Sex Discrimination Act 1984* as it could be argued that it discriminates against our male employees.

Without an exemption, Rice Warner is at risk that a male employee will lodge a claim for discrimination.

Ironically, superannuation funds appear to have an exemption under Section 41A but this exemption would not apply to Rice Warner as an employer.

Why an exemption should be granted

Rice Warner considers that the exemption should be allowed on three grounds:

1. Differences in mortality (and longevity) between males and females are already taken into account by life insurance companies;
2. The Age Pension is paid at the same rate for males and females despite females living longer and costing the government more than males on average. We believe other superannuation benefits could be treated similarly; and
3. Female retirement adequacy is worse than males for a number of reasons. This initiative overcomes one factor that is outside the control of any female.

Longevity differences

Rice Warner has a group life insurance policy covering all staff. For the majority of staff¹, the premiums are paid by the company despite the cost being higher for males than females and for older employees relative to younger ones. This is not discriminatory as the benefit is equal for all and the life insurance company is allowed to charge premiums that reflect differences in risks for age and gender.

If a person purchased a lifetime annuity at retirement, the price would vary by gender. Again, the life insurance companies would take the higher longevity of females into account.

We believe it is reasonable to take longevity into account in assisting female staff to generate a reasonable retirement benefit. Longevity is outside the control of females so it is appropriate for an employer to be able to take it into account in making provision for staff superannuation.

Age Pension

The Age Pension costs are higher for females than males. This occurs because females live longer and also have lower wealth (including superannuation) than males. There is an important government principle that the annual benefit is the same between males and females even though the cost of meeting the benefit is higher for females.

This is a good analogy for our proposal - we believe that it is equitable to attempt to provide the same annual income for males and females irrespective of cost.

¹ Executives meet the cost of premiums out of their salary packages

Retirement Adequacy

Over the last five years, Rice Warner has undertaken a number of investigations into the gap between the average male and female superannuation retirement income benefit. I delivered a speech to the Annual Conference of the Association of Superannuation Funds of Australia (ASFA) in November 2010 and I enclose the slides which show the major causes of this gap, however in summary the key causes are:

- Gender pay gap;
- Career break to raise children, often resulting in missed promotional opportunities;
- Divorce; and
- Longevity gap.

Some of these causes are well-known and we trust they will be addressed through various initiatives of government and industry. However, a factor that receives less publicity is the higher longevity of females, hence our desire to address this factor through our proposed initiative.

Conclusion

We view this initiative as a positive contribution towards improving the retirement outcomes for our female employees. It will compensate them for a factor (longevity) which is outside their control.

We will educate them on the social and economic conditions which result in lower retirement adequacy for females. Using our own retirement calculators, we can show them how to address this problem by making additional contributions of their own, particularly while they are young and have strong disposable income. This education will have more credibility if we have been seen to have done something positive as a company. We have also recently introduced a paid maternity leave policy which includes making superannuation payments throughout the period of leave.

Finally, some other employers might want to replicate our initiative. However, we do not believe many will take it up given they are about to make increases in the SG from 9% to 12% over the next six years. Nonetheless, it would seem reasonable to allow the exemption further should you grant it to Rice Warner.

As actuaries, we are able to certify the accuracy of the required additional superannuation payment to females to address the longevity difference. We would be prepared to put the factors on our website should you be prepared to allow other employers to have the exemption too.

Consequently, it would be greatly appreciated if you could provide Rice Warner with a temporary exemption under the Sex Discrimination Act to allow Rice Warner to pay additional superannuation to female employees on the basis outlined in this letter.

If you would like to discuss this matter further, I would be happy to do so at a convenient time.

Yours sincerely



Melissa Fuller
Deputy CEO
Rice Warner Actuaries AFSL 239 191

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