



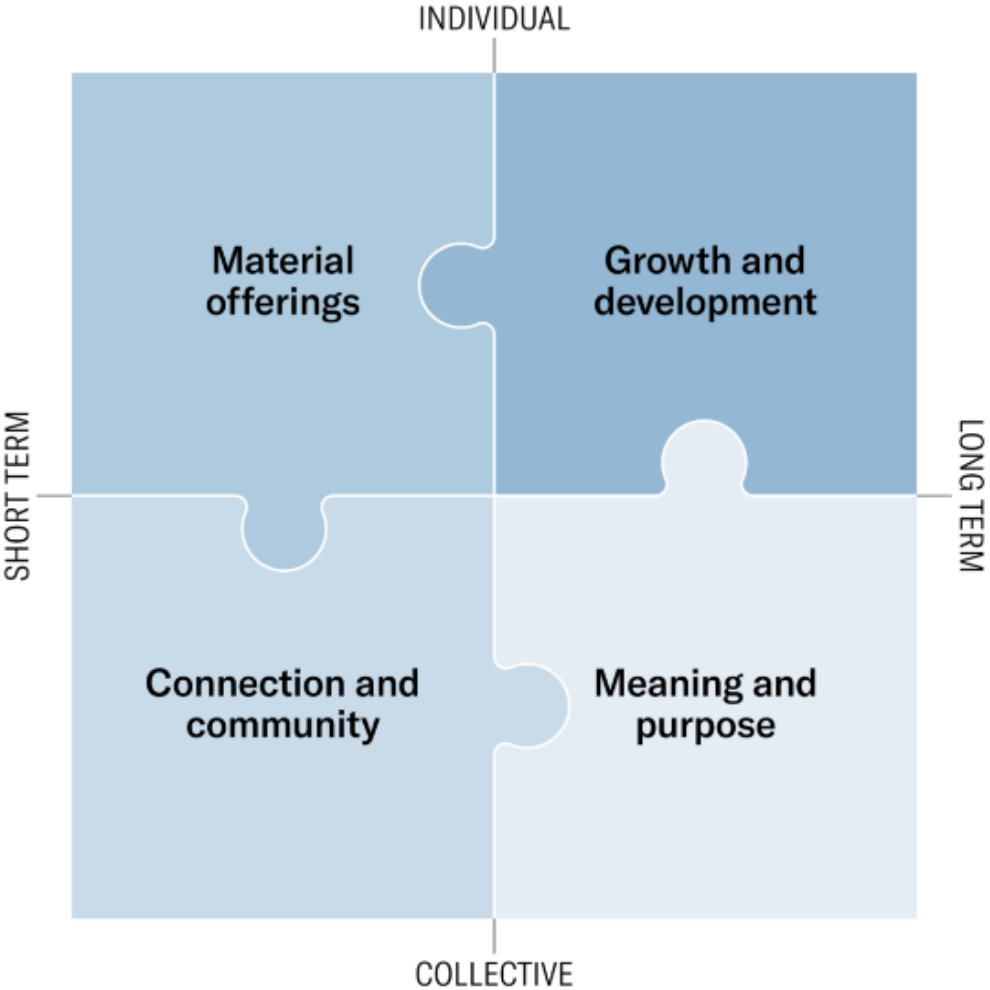
STATE SUPER
SAS Trustee Corporation

LONG SERVICE PENSION

Presentation for the 32nd Colloquium on Pensions and Retirement
Research

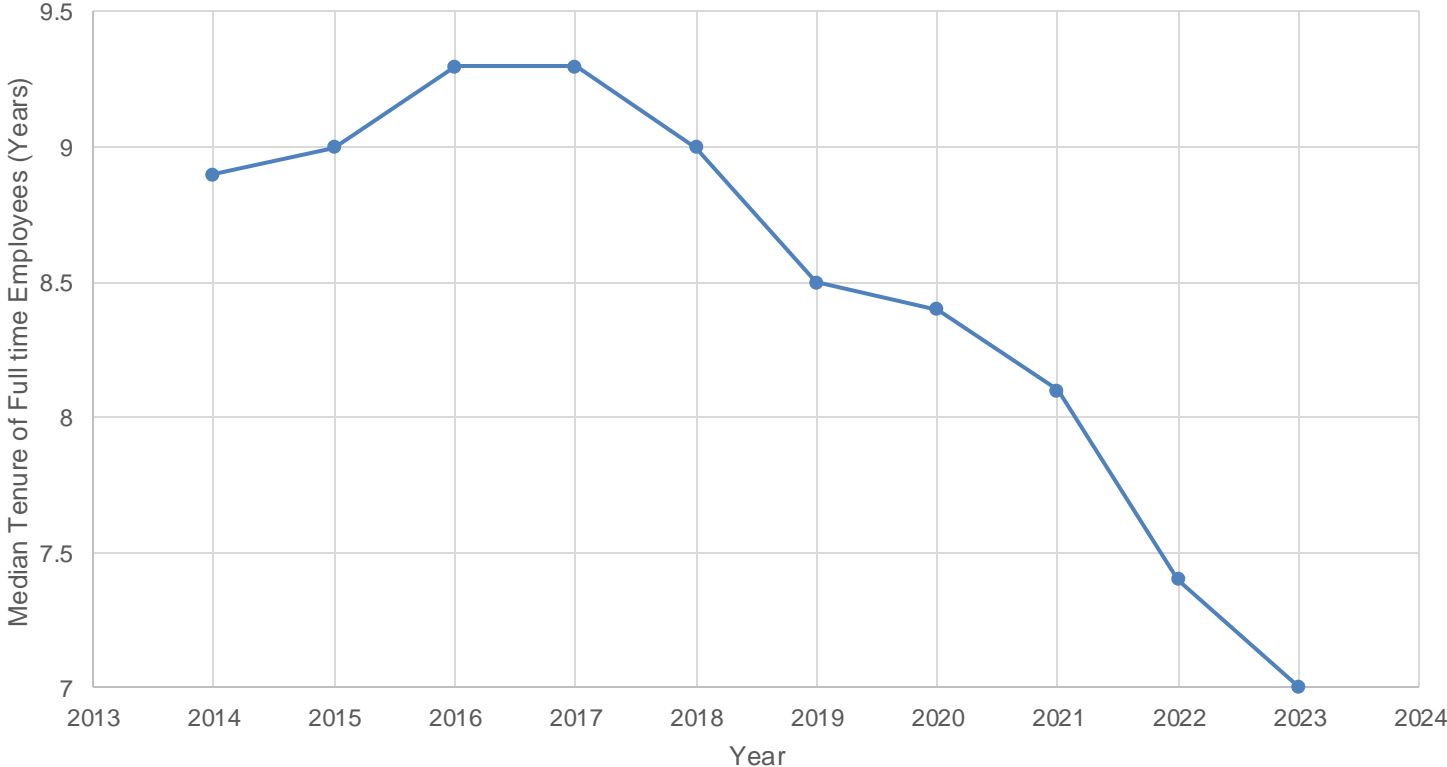
December 8, 2024

WHAT WE EXPECT FROM EMPLOYMENT HAS CHANGED



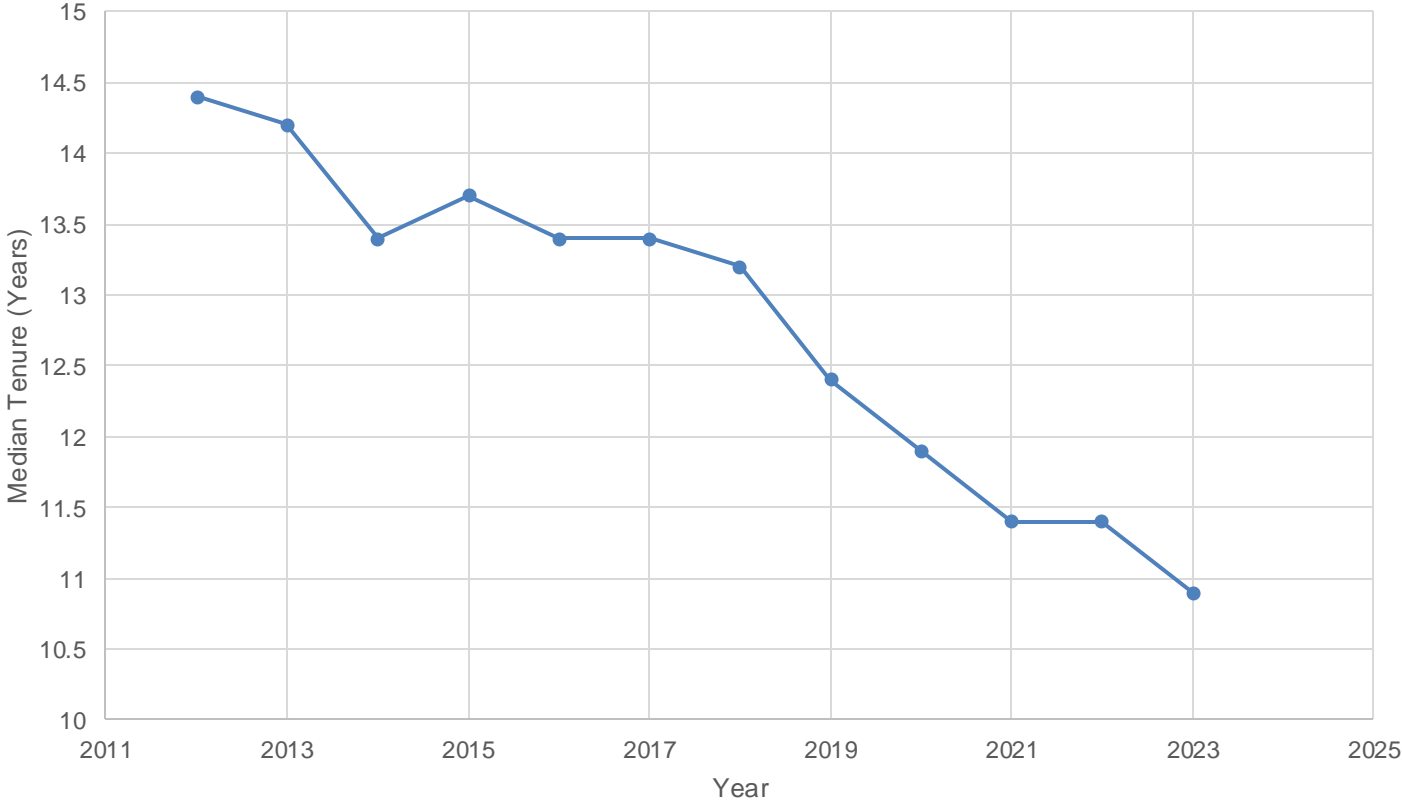
INDIVIDUALS ARE STAYING LESS IN THE PUBLIC SECTOR

Median NSW public service tenure has been trending down since 2017



INDIVIDUALS ARE STAYING LESS IN THE PUBLIC SECTOR

Median NSW Teacher Tenure has been steadily trending down over the past decade



WHO IS STATE SUPER?

- Formed in 1919, State Super is the government entity responsible for the NSW Government's defined benefit schemes. As of 30 June 2024, it had A\$37bn FUM.
- Our membership consists of NSW Public sector employees including teachers, nurses, police officers and firefighters.
- Individuals in our fund have significantly higher retention and thus expected service.
- The average tenure in our fund is **25+ years**

WHY IS THE RETENTION RATE OF EMPLOYEES IN STATE SUPER SO LONG?

“the State Super benefit was the reason I stayed in the public sector”

“you don’t have to make conscious and challenging decisions as you go through your working life”

A defined benefit scheme was not the reason that our members became public servants. However, the defined benefit scheme was one of the major reasons they stayed.

“defined benefit is the best option”

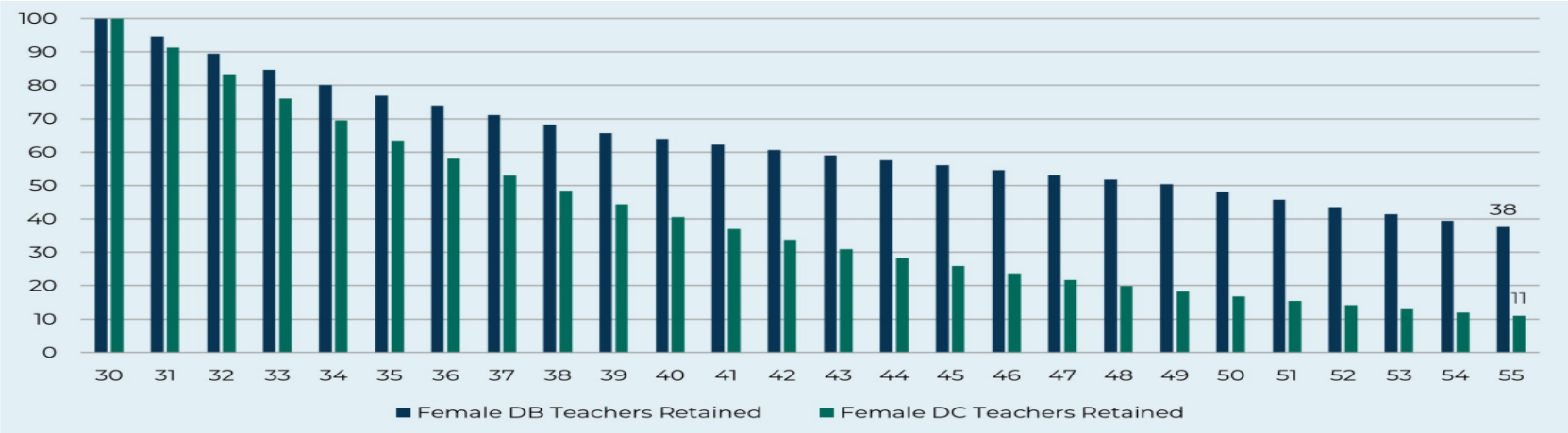
“Our challenge has been that we are finding it more and more difficult to attract younger people to the public service; especially in teaching and nursing, it is becoming more difficult - A defined benefit would help with that.”

INTERNATIONAL LITERATURE ALSO SUPPORTS A CLEAR LINK BETWEEN THE SECURITY ASSOCIATED WITH DB FUNDS AND RETENTION OF PUBLIC SECTOR EMPLOYEES

Closing DB funds often results in lower employee retention

The National Institute on Retirement Security has outlined that States (Alaska, Kentucky, Michigan, Oklahoma, West Virginia) in the US that shifted employees from DB to DC pensions often faced retention challenges. Retention data for female teachers for example, shows a clear gap in retention rate between those on DB and DC schemes, with there being a **25%+** retention gap across most ages ranges of teachers included in the *analysis (Figure 4)*.

Figure 4: Retention of female teachers between DC and DB schemes¹

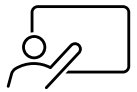


1. Source: National Institute on Retirement Security, *Closing a Public Pension Plan Leads to Unexpected Challenges*, Link available [here](#)

IS INCREASED ATTRITION A POOR OUTCOME FOR FRONTLINE SECTORS?



Increased talent attrition
increases hiring costs



Increased talent attrition
increases training costs

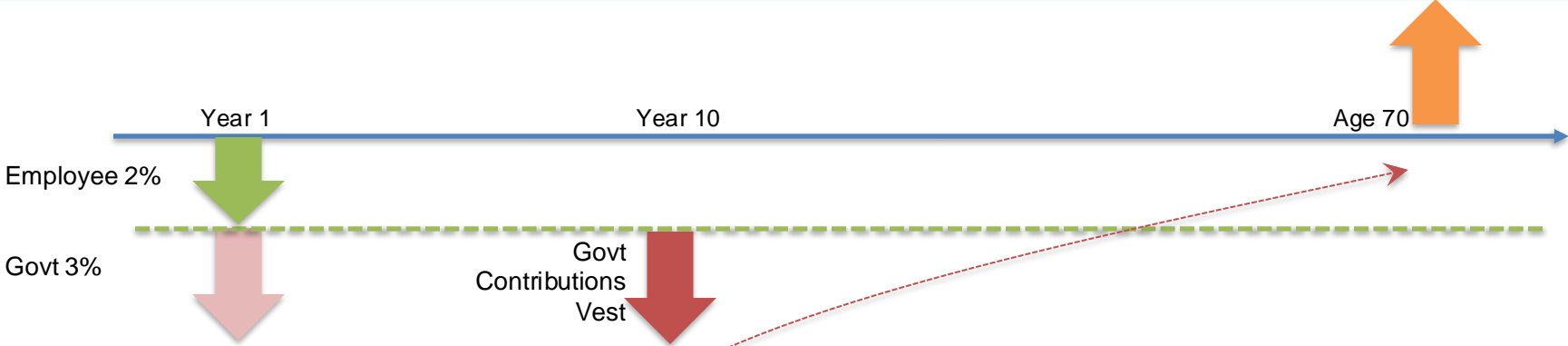


*Does a more experienced
workforce deliver better
outcomes?*



There was consensus across State Super's research and engagement with the NSW Government and Unions that early career experience had a strong positive correlation with outcomes.

THE PROPOSED BENEFIT OF A LONG SERVICE PENSION



Age when starting work as a Frontline worker				
Years of Service	25 years old	30 years old	35 years old	40 years old
10	\$9k – 14k	\$7k - \$12k	\$6k – 10k	\$5k – 8k
20	\$23k – 24k	\$19k – 20k	\$16k – 17k	\$13k – 14k
30	\$26k – 35k	\$22k – 29k	\$18k – 25k	
35	\$27k – 39k	\$23k – 33k		

HOW IS THE BENEFIT MORE EFFECTIVE FOR THE INDIVIDUAL?



Operates within the Superannuation environment



Increases the real value of the individual's total remuneration package



Recognises and rewards longstanding service



Allows greater flexibility for individuals to retire when intended

HOW IS THE BENEFIT MORE VALUABLE FOR THE PROFESSION?



Elevates the wealth of the profession



Increases staff retention*



Creates an increase in productivity*



Maximizes financial security in retirement



Decreases gender inequality in retirement

HOW DOES THE BENEFIT CREATE MORE VALUE FOR SOCIETY?



A non-inflationary way to recognize frontline workers



Aligns with the focus on creating sustainable and balanced retirements for Australians



Promotes spending in retirement, reducing superannuation as a means of wealth transfer and increasing the quality of life of retirees



Provides financial security and greater safety for individuals when they are most vulnerable



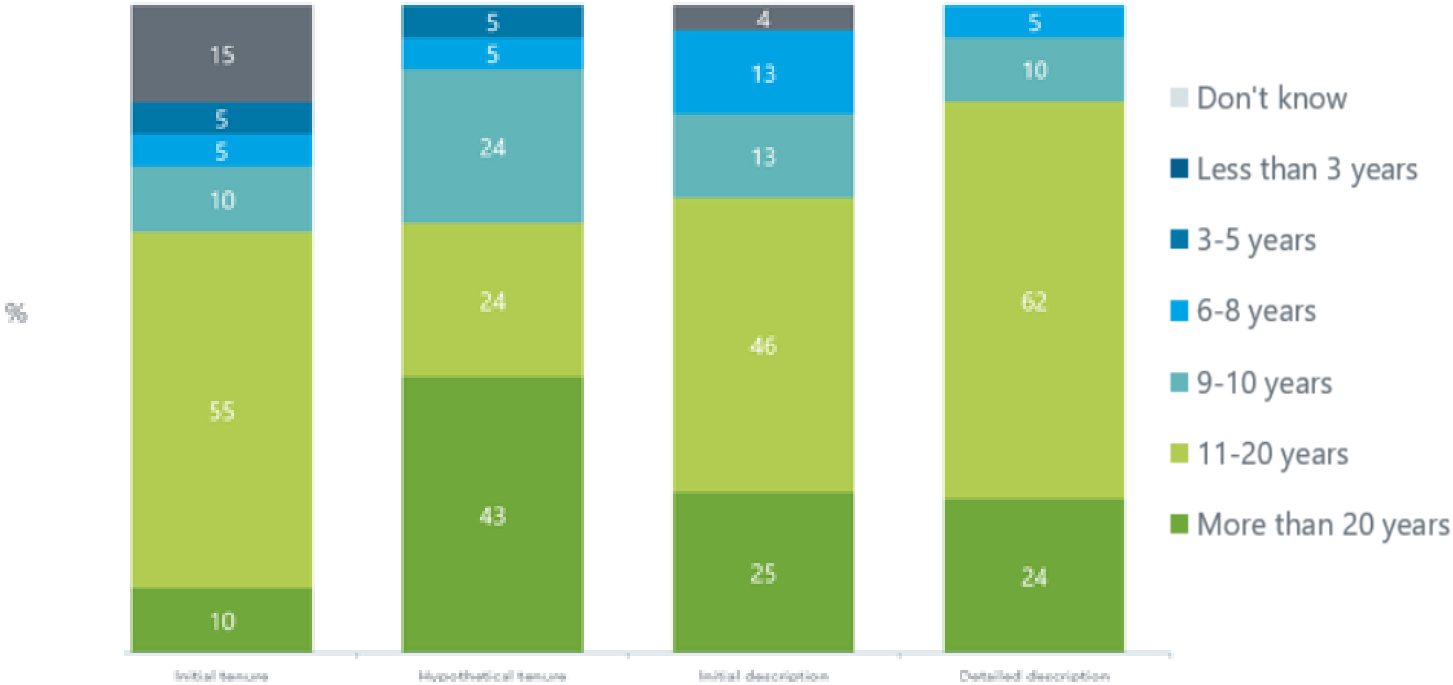
Increases the productivity of frontline workers*

STATE SUPER'S INITIAL RESEARCH OUTCOMES - NURSES

Participants were asked about their expected tenure:

1. Under current circumstances
2. In a world with greater financial incentives*
3. In a world with the long service benefit after the initial benefit description
4. In a world with the long service benefit after a detailed benefit description

Expected change in tenure - Nurses

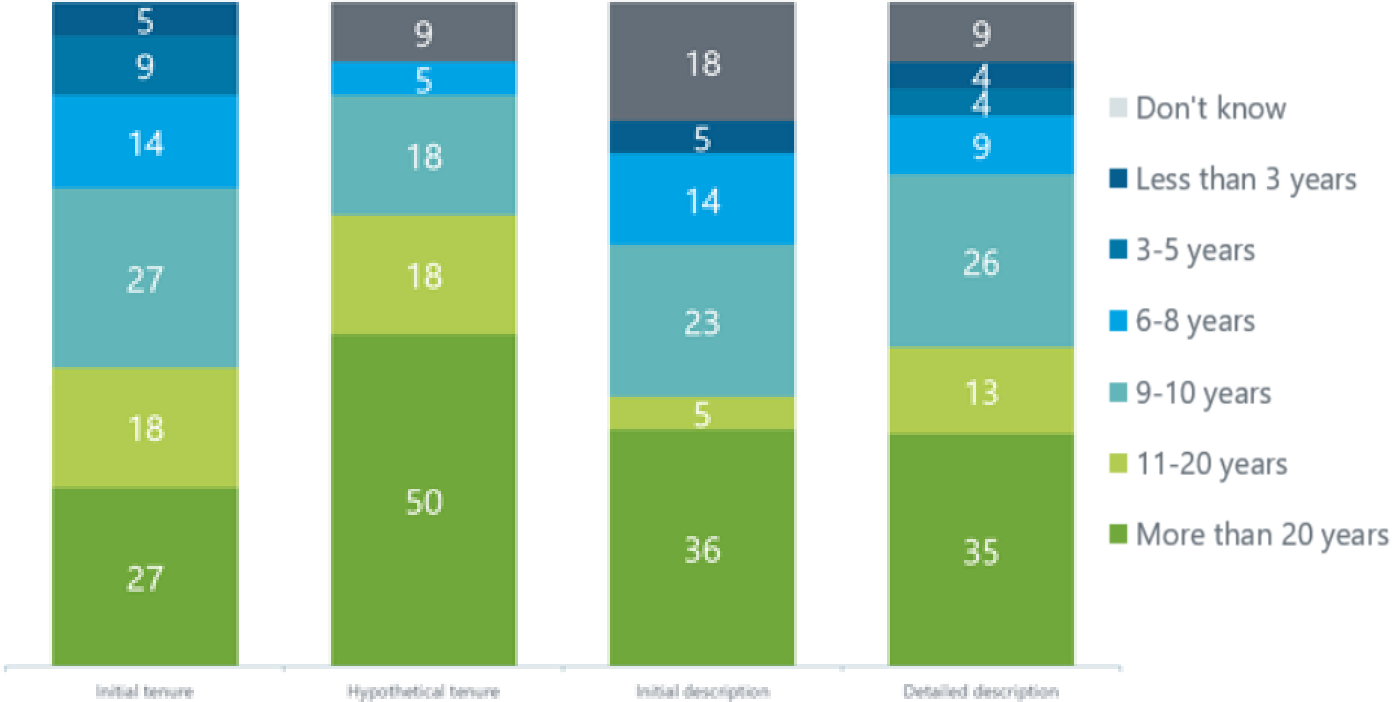


STATE SUPER'S INITIAL RESEARCH OUTCOMES - TEACHERS

Participants were asked about their expected tenure:

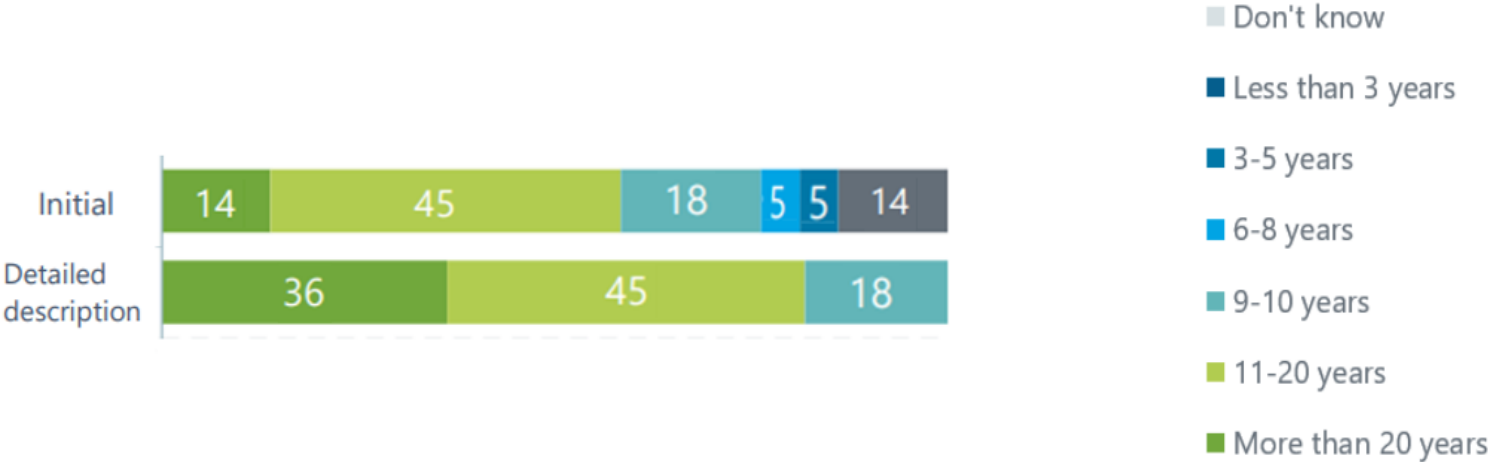
1. Under current circumstances
2. In a world with greater financial incentives*
3. In a world with the long service benefit after the initial benefit description
4. In a world with the long service benefit after a detailed benefit description

Expected change in tenure - Teachers



STATE SUPER'S INITIAL RESEARCH OUTCOMES – PARTICIPANTS AGED 25 - 34

The Long Service Pension resonated most with younger participants, who could see themselves making the most of the benefit which increases with years of service.



WHERE TO NEXT?

State Super is intending to commence choice modelling in 2025 and is seeking research partners who are experienced in this area.

Discussion

APPENDIX - WHAT IS STATE SUPER CURRENTLY RESEARCHING?

An addition to the SG contributions in the form of a long service lifetime pension.

This added lifetime pension:



Commences from age 70 provided the individual works 10 or more eligible years in the public sector



Is indexed and increases annually to account for inflation



Exists within the Superannuation tax environment



Is funded by a 3% employer contribution and a 2% employee contribution