



Impact of COVID Early Release Payments on Retirement Outcomes, Fund Liquidity and Investment Allocations

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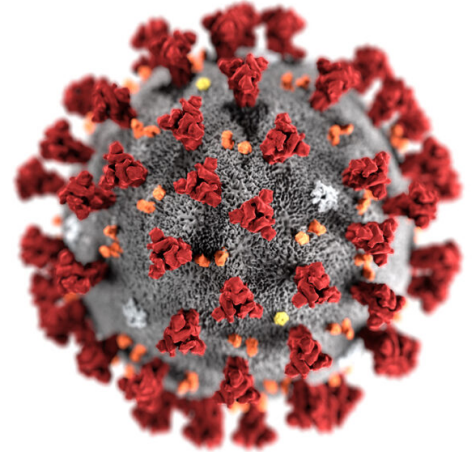
Superannuation not just about retirement

- A primary focus on retirement benefits but “sole purpose” goes further
- Release possible for permanent or temporary disability
- Death benefits
- Also hardship and compassionate release
- Departed temporary residents as well



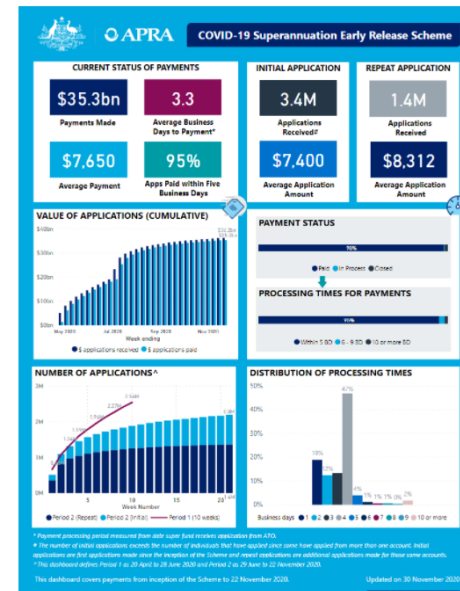
COVID Early Release

- Early release provisions legislated March 2020, in effect from April
- Original arrangements extended to temporary residents, also extended out to allow applications up to 31 December 2020

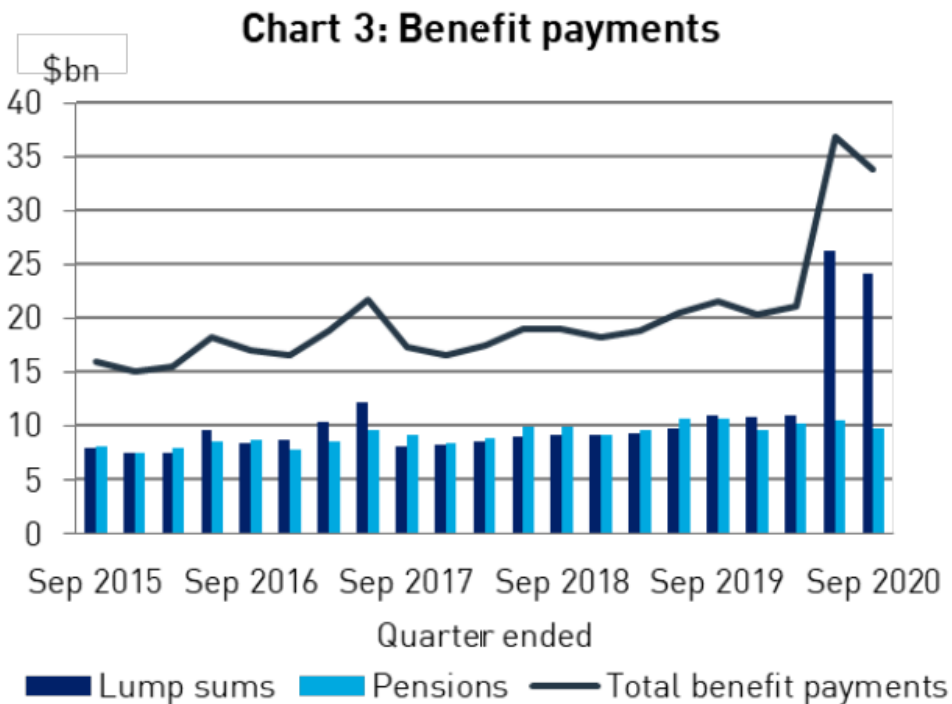


COVID Early Release aggregates

- As at 22 November total of \$35.3 billion paid to 3.4 million initial applicants and 1.4 million repeat applicants.
- Volumes are tailing off but are likely to reach over \$36 billion and 4.9 million total applications by 31 December 2020
- Australian labour force around 13.7 million in total



A noticeable increase in overall benefit payments



Administration under pressure, but funds met the challenge

- 700,000 applications first week, running at 150,000 for some weeks after that
- Now down to around 20,000 a week
- Funds paid out mostly under 5 days from receiving applications, bulk 3 days or less
- Concerns about fraud potential but third party fraud relatively rare
- As at the end of October, reported fraud events were 1,703 (0.04%) of the 4.5 million ERS payments to members, with other attempted fraud events stopped before payment
- Less clear that all of the 3.4 million applicants satisfied the release criteria



COVID Early Release by age band

COVID-19 approvals – ATO demographic data

Age range	2019-20		2020-21 to date			
	Number of applications approved	Value of applications approved for release (\$m)	Number of unique applications approved (2020-21 to date)	Value of unique applications approved for release in 2020-21 to date (\$m)	Total number of applications approved in 2020-21 to date	Total value of applications approved for release in 2020-21 to date (\$m)
a. 20 and Less	39,100	110	6,900	20	13,700	35
b. 21-25	292,100	1,660	26,400	162	102,400	590
c. 26-30	455,100	3,330	29,100	226	194,700	1,583
d. 31-35	430,600	3,655	27,400	228	230,600	2,046
e. 36-40	355,100	3,195	24,000	206	214,200	1,960
f. 41-45	276,500	2,545	20,200	177	177,700	1,650
g. 46-50	250,700	2,340	19,400	173	165,800	1,556
h. 51-55	193,100	1,815	15,600	141	127,400	1,201
i. 56-60	121,000	1,135	10,200	92	74,400	701
j. 61-65	36,400	330	3,700	31	18,700	170
k. 66-70	2,800	20	400	3	1,100	9
l. 71 and greater	600	5	100	1	200	2
Unknown	-	-	-	-	-	-
Total	2,453,050	20,140	183,179	1,460	1,320,900	11,503

Source: ATO (Data as at 26 July 2020).

COVID Early Release by gender

	2019-20		2020-21 to date			
	Number of applications approved	Value of applications approved for release (\$m)	Number of unique applications approved in 2020-21 to date	Value of unique applications approved for release in 2020-21 to date (\$m)	Total number of applications approved in 2020-21 to date	Total value of applications approved for release in 2020-21 to date (\$m)
Male	1,381,500	11,630	97,100	796	769,000	6,853
Female	1,071,300	8,510	86,300	664	551,800	4,649
Other	300	-	-	0	100	-
TOTAL	2,453,050	20,140	183,179	1,460	1,320,900	11,503

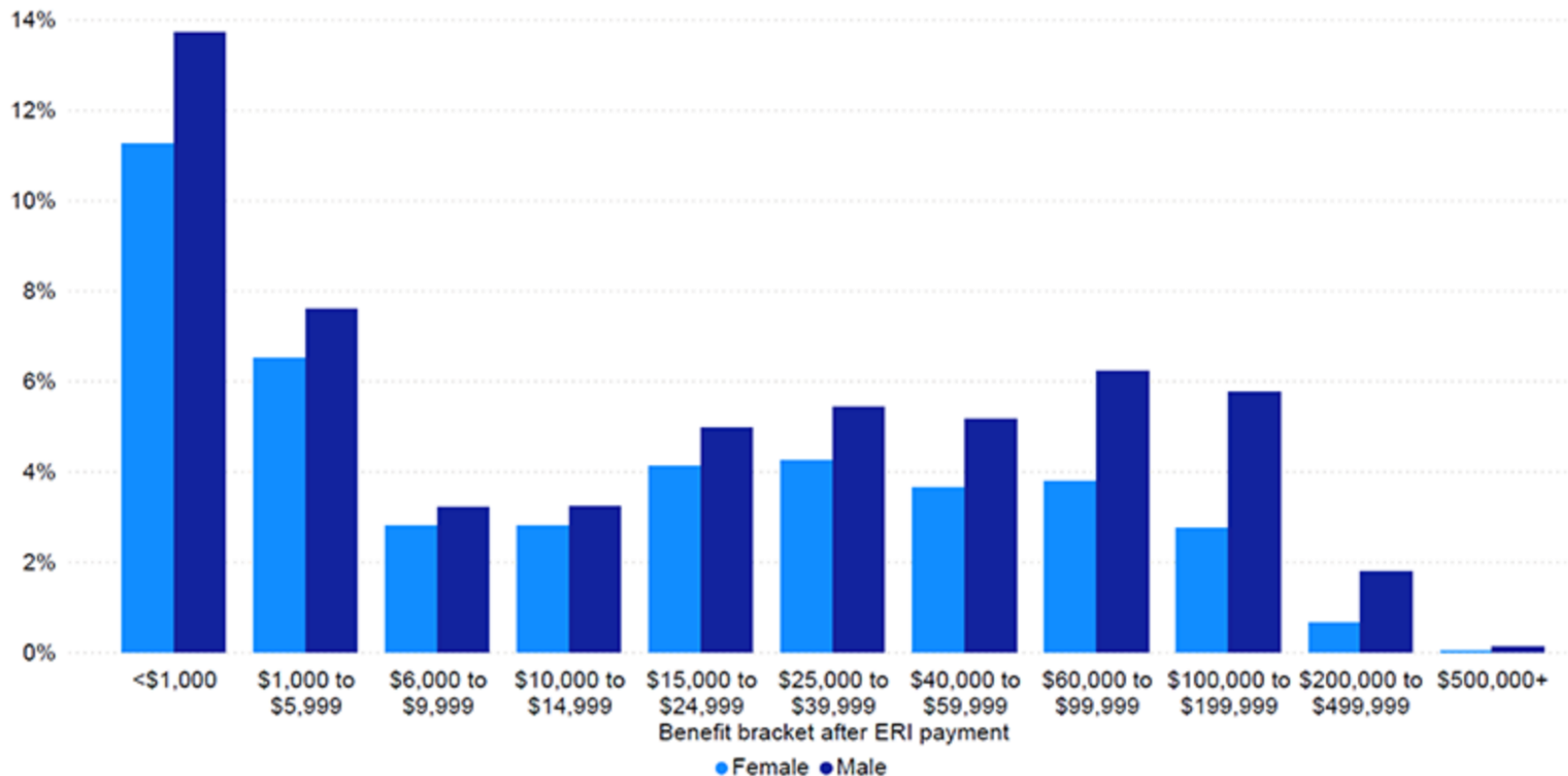
Source: ATO (Data as at 26 July 2020).

Explanatory note: Please note unique approved applications are those that are applying for the first time in tranche 2 i.e. did not apply for early release in 2019-20 (tranche 1).

Yet more data on early release applicants and accounts

- 163,000 accounts were fully depleted by ERS payments and closed in the June and September quarters
- The range of member balances after the ERS payment for those accessing the ERS was relatively wide, ranging from remaining balances of less than \$1,000 to greater than \$500,000

Distribution of member accounts after ERI payments



Impact of early release on fund members

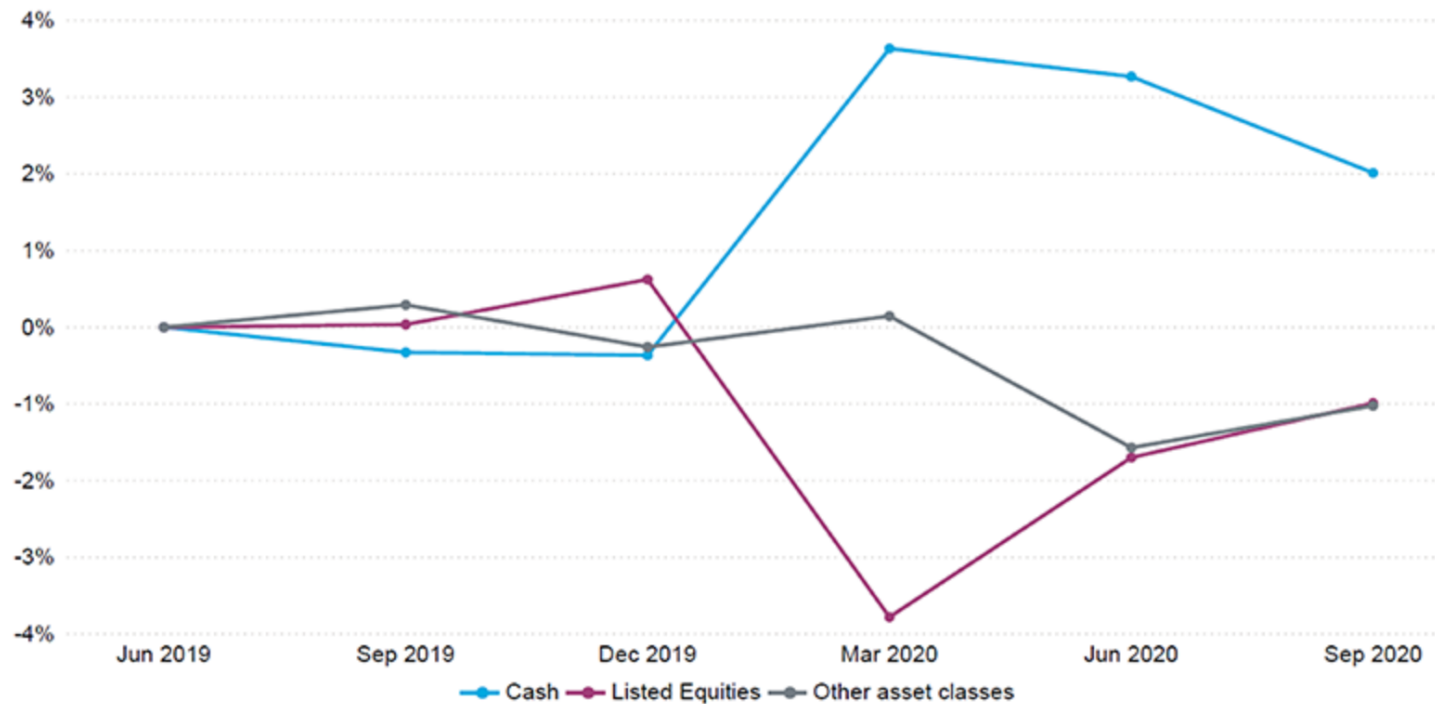
- Impact depends on age and amount taken out, but for many long term impact is substantial
- For a 30 year old on \$60,000 a year withdrawal of \$20,000 now means \$43,000 off what would have been \$350,600 at age 67
- For a person aged 40, balance at age 67 \$35,000 lower, for person aged 50 \$28,500 less

Sequencing risk of withdrawals and increased fund holdings of cash

- Many early release withdrawals were made after substantial falls in equity prices
- Funds also increased allocation to cash in anticipation of further withdrawals
- Many balanced default investment options now up around 10 per cent since the equity price falls in March and April

Movements in average asset allocations

Chart 1: Industry asset allocation change from 30 June 2019 to 30 September 2020



Conclusions

- Superannuation funds and administrators remarkably successful in the quick processing of millions of payments with low levels of fraud
- Many early release applicants had relatively low balances to start with, very low after early release
- Substantial impacts on eventual retirement balances in the absence of any catch-up contributions
- The impacts of early release reinforce the need for the SG to get to 12 per cent