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**Women Making Choices  
by  
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## Introduction

A number of studies have investigated the attitudes of Australian women towards superannuation. Many of these studies have revealed problems, suggesting that:

- women are confused about superannuation;
- women do not understand the superannuation market / legislation;
- women do not understand their own benefit entitlements;
- women fail to plan for their own retirement;
- women have a negative attitude towards superannuation.

This raises the question : should additional resources be devoted to providing women with information about superannuation ? Indeed some trustees and industry organisations have already highlighted the need for special educational material targeted at women (for example, ASFA has a separate section of their website devoted to Women and Superannuation).

Most of the previous studies have been qualitative studies - asking women to describe their own attitudes to superannuation, or to report on their own level of knowledge about benefits. In this paper, we consider the question: "How do these attitudes affect the choices women make about their superannuation ?"

What choices are made by women ? Are they significantly different to the choices made by men ? Are they making the wrong choices, due to lack of knowledge ? In particular, do negative attitudes flow through into lower voluntary contributions into superannuation funds ?

This issue is particularly important as more and more funds introduce greater flexibility in member contribution levels and investments.

**Section 1** summarises some of the existing research which deals with the attitudes of women to superannuation in Australia, looking at both qualitative and quantitative studies.

**Section 2** looks at some data on the choices made by women. Most of the data is taken from public sector funds, which allow members to make choices such as:

- the level of voluntary contributions
- the choice of investment options
- whether or not to preserve benefits on resignation

**Section 3** looks at some data from the United States and Canada, comparing participation rates and the level of contributions by men and women.

## **1. ATTITUDES OF WOMEN TO SUPERANNUATION**

A number of studies have examined women's attitudes towards superannuation.

Some of these studies are qualitative "women-only" studies. These studies use focus groups composed entirely of women, to ascertain attitudes to superannuation.

Generally, these studies reveal fairly negative attitudes to retirement planning and superannuation.

Other studies use survey techniques to compare male and females. For example, the surveys might ask men and women to assess their own knowledge of the superannuation system. In these studies, men usually claim to have a greater knowledge of superannuation.

### **1A. Qualitative Studies**

The following is a summary of the common themes emerging from the following studies:

\* BIS Shrapnel (1996) conducted focus groups for women in Sydney, Melbourne and Brisbane in 1996, and produced "*A Qualitative Assessment of Women's Attitudes to Superannuation*". (1,2,3)

\* The AMP also conducted focus groups for women, and the results were presented to the Senate Select Committee on Superannuation in their enquiry on Women and Superannuation in 1994

\* *Ms...ing Out : Women and Retirement Income*, a 1994 study by Olsberg, Adams, and Associates, based on focus groups and personal interviews with women in the NSW public service in Sydney.

\* *Women and Superannuation, A Qualitative Research Report*, produced for the Government Employees Superannuation Board (GESB) in West Australia in 1997 (4). This study involved focus groups with female members of the GESB schemes.

\* *The Women's Career and Economic Security Survey*, by the Victorian Women's Trust in conjunction with Osborne Associates (8)

Similar themes emerged in many of these studies.

Firstly, women feel that superannuation is, in principle, "a good thing". They realise that it is important, but planning for the future often takes second place, behind immediate day-to-day concerns.

## **Lack of knowledge**

Most women were ignorant of their own entitlements; they did not know their current benefits, they did not know how much they were contributing, they did not know how fees were charged or where the fund assets were invested. They did not have a financial plan, nor did they have any clear idea about the amount needed to provide an adequate standard of living in retirement.

## **Too confusing**

Most women feel confused by superannuation. Confusion arises because the rules are complex, because the rules seem to be constantly changing, and because the information provided seems to be filled with jargon (there is a recurring request for “Plain English” information).

As a result of this confusion, there is a lack of confidence in superannuation which appears to affect investment decisions.

*“The major concern is that, because they don’t understand it, they have to take so much on trust, which introduces an element of risk. This concern is widespread and not confined to the women who participated in the focus group discussions.”(4)*

## **Lack of control and security**

There were concerns about the security of superannuation funds; there were concerns about the lack of control over investments; and there were concerns about the difficulty of obtaining access to the money when it is needed. For many women, other investment alternatives, which are more flexible and allow greater control, appear more attractive than superannuation. Property is often cited as a safer and more tangible form of investment (a preference for property was mentioned in the GESB report, the AMP report, and the BIS Shrapnel report).

For some women (particularly low income and part time workers) superannuation has a low priority. They have little disposable income, after meeting family needs and paying off the mortgage.

## **Too many changes ?**

Women remain sceptical about the role of the government. A typical comment from a GESB member was:

*“The Government changes the rules and you may not get what you think you are going to get.”(4)*

The BIS Shrapnel report concluded that:

*Women are highly sceptical of the government's role in the scheme, and some believe that the mandatory aspect of superannuation was introduced in order to benefit the state. The suspicion of government was heightened by the perception that super policy was changing constantly". (2)*

The AMP report stated that:

*"Many participants believed that the system was unstable and cited likely future changes in the rules as a good reason for not increasing their level of contributions."*

Many women feel that superannuation is designed for men. They recognise that women working part-time are disadvantaged by fees which eat away at superannuation. They recognise that women who enter and leave the workforce, changing jobs frequently, are disadvantaged by lack of portability and poor vesting.

### **"My husband has enough super for both of us" ?**

Are women failing to plan for retirement, because they are simply depending on their spouse's benefits ? The results of the surveys were mixed - there are differences depending on age and income. In the GESB survey, the researchers reported that:

*"When older women think of superannuation, they see it as an adjunct to, and definitely subordinate to, the superannuation investment of their partner."(4)*

Many of these women apparently feel some resentment about their lack of access to superannuation in earlier days (before the introduction of compulsory superannuation and anti-discrimination legislation, many women were not receiving any superannuation benefits).

On the other hand, the women in the BIS Sharpnel study displayed somewhat more financial independence.

*"Although some of the women's lack of knowledge and interest in super was clearly the result of their economic dependency on their spouses, the majority of the focus group, according to the study, were not looking to their husband's super as their own nest egg. 'More and more, women are taking control of their own financial affairs, saying that 'you can't rely on his share, because what happens if you split up before then?' " (1)*

Similarly, the NSW public servants were aware of the need for independence.

*“Women recognised that times were changing, that women could not continue to rely on their spouses and children for support in their old age. Some had already been affected by divorce and those who were married expressed an awareness of the insecurity of spouse dependence.”(5)*

Although many women were well aware of the potential for divorce, most had little idea about the level of their husband’s benefits, or their rights to a share of those benefits in the event of divorce.

### **Comments on qualitative research**

These reports reveal serious problems. In some cases the problems arise from lack of knowledge - and clearly there is a case for improving the flow of information to female members. In some cases the problems result from the deficiencies of our superannuation system, i.e. some features of the system are obviously failing to meet the needs of the members.

These reports all focus on women. But many of these problems are not confined to women. Men are likely to share many of the same concerns. In fact, the BIS Shrapnel report acknowledges this :

*“The findings of the survey indicated that no significant gender differences existed when it came to superannuation, ..... BIS Shrapnel considers that if the focus groups were to be conducted with men only, the results would be very close to our recent findings from the focus groups with women.”(2)*

Similarly, the survey recently conducted by Worthlin Worldwide (on behalf of ASFA) echoes many of the same concerns noted above: too many changes, not enough information, poor returns, inaccessibility of assets, inadequacy of benefits, etc (12)

ASFA’s research into adequacy of retirement benefits reported that:

*"A number of financial planners added comments which suggested undue complacency or poor financial understanding in the community, noting, for instance, that their clients:*

- *were surprised at how low the Age Pension is;*
- *generally had poor funding for retirement;*
- *thought that a lump sum of \$50,000 to \$60,000 constituted substantial funds in super; and*
- *underestimated the cost of what they wanted to do in retirement" (11)*

Similarly, a recent Towers Perrin survey of fund members found that:

*"Towers Perrin research also reinforces the common notion that members have little knowledge or understanding of the dollar amount required for a comfortable retirement"*

*"Members questioned in the survey said that the information they were receiving from the fund was "too complex, too much at once, and too general", leaving them feeling unable to make informed decision". (9)*

So when Super Review headlines say “Women still confused by superannuation” (2), it may be rather misleading. Perhaps it would be fairer to say “Nearly everyone is still confused by superannuation” !

Are men just as confused by superannuation as women ? Or is confusion a greater problem for women ? This leads us to look at some of the comparative studies.

**1B. Comparative Studies**

In order to determine if women need special help with superannuation, it is more useful to look at comparative studies - studies where both men and women are included in the study, and responses are analysed by gender. The following section summarises the results of some comparative studies.

**Department of Social Security Study 1992**

In 1992, Brian Sweeney and Associates conducted a survey on behalf of the Department of Social Security and the Office of Government Information and Advertising. The survey covered 2024 participants, stratified by age, location, sex, employment status, and language (i.e. non-English speaking background). The survey reported significant differences between the responses of male and female participants. (6)

*Question : I'm very confused about superannuation*

	Agree	Neutral	Disagree
Males	26%	9%	64%
Females	36%	13%	52%

*Level of Understanding (self-reported)*

	Clear Understanding	Reasonable Understanding	Slight/No Understanding
Male	15%	53%	32%
Female	7%	43%	49%

There may be good reasons for this discrepancy - when the survey was conducted, in 1992, women were less likely to belong to superannuation funds than men (prior to the introduction of the SGC). The ABS figures for July 1991 show that only 66% of women belonged to a fund, but 77% of men were members. We would expect that members of a superannuation fund would have better access to information about superannuation, and have a greater

incentive to seek information. This may partly account for the apparent gender differences in understanding at that time.

**Government Employees Superannuation Board (West Australia 1997)**

As well as the qualitative study mentioned above, the GESB also commissioned a survey of members of the Gold State and West State Superannuation Schemes, in order to assess members’ knowledge of their superannuation entitlements. The survey, conducted by Market Equity, asked members whether they understood their retirement benefits, their resignation benefits, and their death and disability benefits.

They found that men claimed a greater understanding than women in most aspects of superannuation benefits.

There were also variations according to age, accrued benefits, and scheme - the GESB administers two separate schemes, Gold State and West State.

*Understanding of Own Entitlements Upon Planned Retirement*

	Gold State (sample 250)	West State (sample 450)
Males	50%	22%
Females	39%	11%

*Understanding of Own Entitlements Upon Resignation*

	Gold State (sample 250)	West State (sample 450)
Males	50%	19%
Females	28%	11%

*Aware of How Entitlement Will be Calculated*

	Gold State (sample 250)	West State (sample 450)
Males	71%	31%
Females	49%	13%

*Awareness of Death and Disability Coverage*

	Gold State (sample 250)	West State (sample 450)
Males	82%	42%
Females	65%	32%

**Onyx and Watkins 1996 (ASFA research paper)**

In 1996, ASFA commissioned a research report which confirmed that women are less likely to plan their retirement than men. Ms Jenny Onyx and Alice Watkins surveyed 800 adults living in metropolitan Sydney. This report showed that men were more likely than women to report that they had been actively planning for retirement financially.

*Percentage actively planning financially for retirement*

Female part time employees	38%
Female full time employees	52%
Male full time employees	65%

When asked about their level of knowledge, again women scored poorly compared to men.

*Percentage who could not answer questions concerning their superannuation coverage*

	Female part time	Female full time	Male full time
Number of years of super expected by age 60	43%	19%	17%
Number of years of contributions required for a livable income	82%	73%	52%
Payment per month now	51%	34%	23%
Contribution from employer per month now	69%	58%	37%
Expected lump sum benefits	94%	90%	78%
Death/Disability Cover	28%	28%	18%
Entitlement to partners superannuation - whether any	22%	19%	19%
Entitlement to partners superannuation - whether any	52%	42%	42%

**ASSIRT Survey : Choice of Fund 2000**

In a recent ASSIRT survey, investors were asked about their knowledge of the choice-of-funds legislation (10).

*"Males were more likely than females to have knowledge about the proposed legislation than females, with 36% indicating that they knew a great deal or fair amount about it, as opposed to 23% of females."*

## Comments on Comparative Studies

These comparative studies all relied on self-reporting. That is, they did not actually test whether or not members had an accurate knowledge of the facts - they tested whether the members *claimed* to have knowledge of the facts. This may be quite different.

- Some members may believe that they know the rules, but may be quite mistaken.
- Some members might not know the rules, but might be quite unwilling to admit their ignorance.

There may be differences in the way men and women answer such questions, even when they have equivalent levels of knowledge. This problem is well known to sociologists and psychologists, who have examined gender differences in self-confidence.

For example, some studies asked male and female students about their own abilities and/or likely future performance. Males tended to be more confident than females - despite the fact that past academic performance indicated equal ability for both groups.

Other studies have given the same tests to males and females, and then asked the subjects to estimate their own scores. Again, men tend to be more confident that they have done well (it is unclear whether men overstate their performance, or women understate their performance). The differences are greater when subjects are asked to assess their own performance in areas which are considered “masculine”, such as ability to solve mathematical problems, or knowledge of sports trivia.

This problem is likely to be exacerbated when the answer is not clear cut, leaving room for judgement. In some of the superannuation studies mentioned above, the questions call for a considerable amount of judgement - for example, suppose that a member has talked to his accountant, who recommended that everyone should save 15% of income in order to have an adequate retirement. The member dutifully saves 15% in a superannuation fund. Does this mean that the member has “actively planned for retirement” ?

In the Onyx/Watkins study, some of these questions are certainly difficult to answer. For example, the study states that 94% of women working part time “do not know their expected lump sum benefits”. This seems quite a reasonable response: for most people in defined contribution funds, the lump sum benefit payable at retirement will depend on many unpredictable factors, including future investment returns, future employment prospects (e.g. hours of work per week for part timers), career breaks (e.g. for looking after children), future salary increases, future contribution rates, and government policy on the taxation of superannuation. Indeed, it is surprising that as many as 22% of men claimed to know their expected lump sum payment, when so there are so many uncertainties.

Similarly, the Onyx/Watkins report claims that 82% of women working part time do not know “how many years of contribution would be required for a livable retirement income”. Again, this is a question which is very difficult to answer, since it depends on the level of contributions, the rate of return on investments, the life expectancy of the member, the interaction between social security and superannuation, taxation of superannuation benefits, and the amount required for “a livable retirement income” (which depends on future inflation rates). Again, it is surprising that as many as 48% of men were able to provide an answer to this question.

Perhaps these surveys show that men know a lot more about superannuation than women; on the other hand, perhaps it simply shows that men are less willing to admit their ignorance. It would be interesting (although perhaps distressing to many fund trustees !) to do a survey which asked the subjects to provide factual answers to simple questions about their fund benefits.

In the United States, the Retirement Confidence Survey (described below) asks 5 simple multiple choice questions to test financial knowledge and the implications of savings decisions. In the 1996 survey, women were more likely to get the right answer on two questions, and males were more likely to get the correct answer on the other three questions. Women were more likely to know the average life expectancy after retirement and were better at estimating the income needed at retirement. Men were more likely to have the correct answer on investment-related questions.

### **3. COMPARING THE CHOICES MADE BY AUSTRALIAN MEN AND WOMEN**

In order to determine if women need extra help in financial planning, it is worthwhile to look at the choices made by female members of superannuation funds. We will start by looking at the level of contributions made by males and female on an aggregate basis, using overall population data. However, this approach has limitations.

#### **3A Population Data : Employee contribution rates**

When we look at aggregate male and female contribution rates, it is clear that males tend to contribute at higher average rates than females. This is evident in the data provided by the Australian Bureau of Statistics, and in more detailed analysis by members of the Retirement Incomes Modelling Task Force, based on data from three major life offices and one actuarial firm. (7) Men contributed 4.8% of salaries, whereas women were contributing at just 3.5% on average.

However, this difference is partly caused by differences in average income - women have lower average income, and those on lower incomes cannot afford to make such large contributions. If we look at member contribution rates adjusted for income, male rates are still higher - but the gap is narrower at higher levels of income. (see Chart 10 attached)

If we look at member contribution rates adjusted for age, the situation is more complicated. At younger ages, males have higher average contribution rates; but at older ages, the differences are narrower; and at the highest ages, women are contributing more than men. (see Chart 9)

Charts 10 and 9 from Brown (14)

Chart 10: Member superannuation contributions by income level and gender

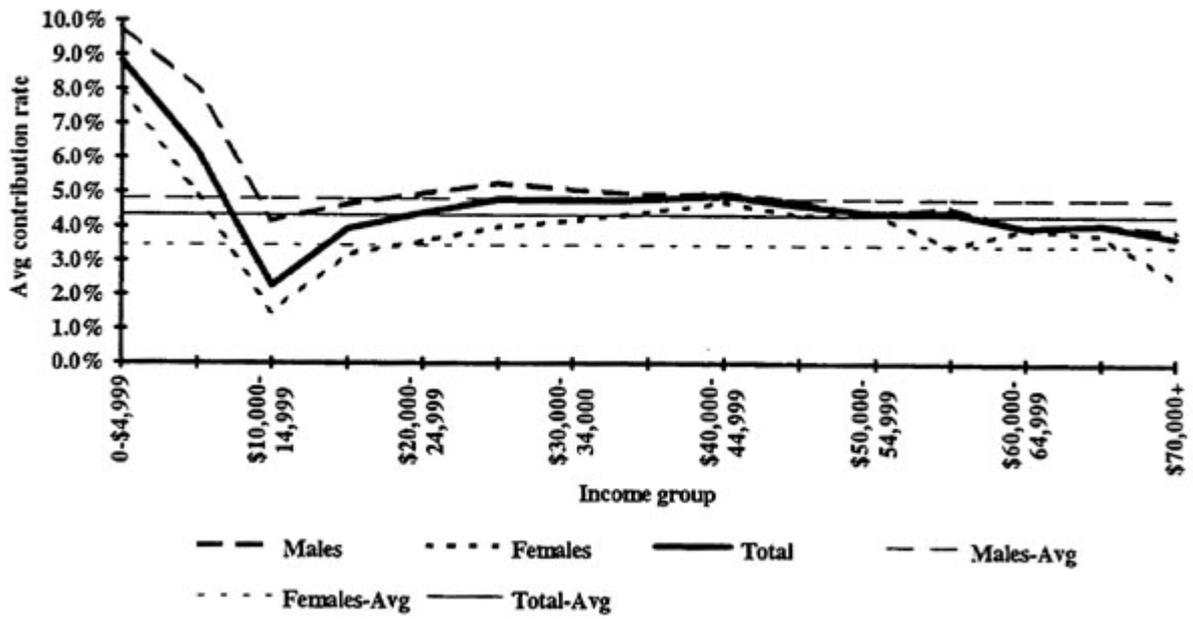
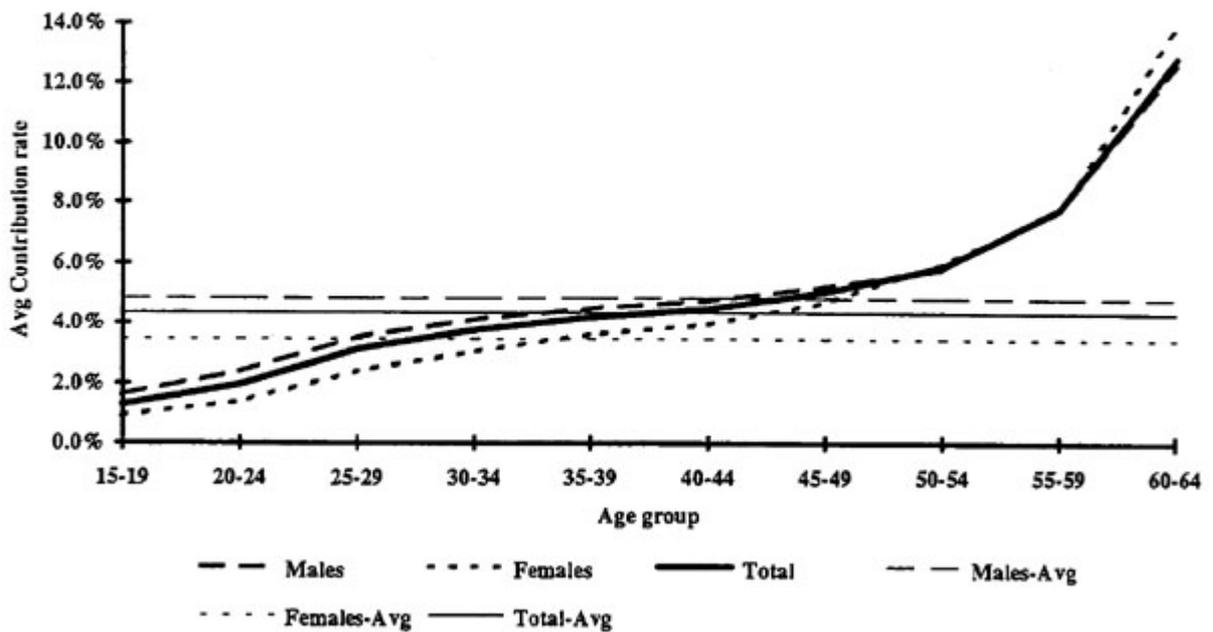


Chart 9: Member contribution levels by age and gender



Do these differences reflect differences in male and female attitudes to superannuation ? Are women contributing at lower rates because they are confused and disillusioned about superannuation ?

We can't draw this conclusion from the above data. In many funds, there is no choice - the member contribution rate is fixed by the rules of the trust deed. If there is a gender gap, it may simply reflect differences in the gender mix of different funds' membership:

- some funds have higher compulsory member contribution rates
- some funds provide an option to make higher contributions
- some funds provide a financial incentive to make additional contributions

If men belong to funds which require or encourage employee contributions, this biases the results.

Furthermore, the level of employee contributions will vary depending on the level of employer contributions. Some employers might be making minimum SGC contributions, whereas others may be providing a much higher level of support. When the employer contributions are adequate, there is less incentive for the employees to make any additional contributions.

Data from the Australian Bureau of Statistics (ABS) supports the view that there are differences in the level of compulsory employee contributions for men and women.

In 1995, the ABS conducted a survey to investigate superannuation contribution patterns. They surveyed people aged 45 to 74 who were members of a superannuation scheme. They asked the respondents whether or not they made any personal contributions, and whether these contributions were compulsory (based on the scheme rules) or voluntary.

*ABS Superannuation Australia (Catalogue 6319.0) - November 1995  
Persons Aged 45 to 74 covered by a superannuation scheme:  
Own weekly contributions to a superannuation scheme*

	Males	Females
	%	%
Employer Contributions Only	32%	47%
Makes Own Contributions		
Compulsory Only	18%	14%
Compulsory plus voluntary	6%	4%
Voluntary Only	45%	36%
Total - makes own Contributions	68%	53%
Total	100%	100%

This shows that men were more likely to be making additional contributions (over and above the employer contributions). 68% of men, versus only 53% of women, were making employee contributions.

However, differences in scheme membership partly account for this discrepancy : 24% of men were in schemes which **required** employee contributions; only 18% of women were in such schemes.

Furthermore, the men were paying higher **compulsory** employee contributions. For men paying compulsory contributions only, the average weekly contribution was \$47; for women in the same situation, women were paying just \$33 per week.

Why do some people choose not to join a superannuation fund and/or not to contribute ? The ABS investigated this question in the 1993 and 1995 surveys.

*Employed Persons Aged 15 to 74 Not Covered by a Superannuation Scheme:  
Reason Not Contributing Personally to a Superannuation Scheme  
Employees Data - November 1993 (Catalogue 6319.0)*

Reason Not Contributing	Male	Female
Has life assurance / other superannuation scheme	3.5%	1.3%
Spouse has cover	0.2%	9.0%
Planned to join soon / had applied to join	4.7%	3.3%
Waiting to become eligible for employer scheme	4.2%	3.8%
Cost, can't afford it	37.5%	37.6%
Too young , too old	10.2%	7.5%
Too complicated	1.4%	1.0%
Didn't think available	2.3%	1.8%
Has other investments	3.8%	3.0%
Return not worthwhile	3.8%	4.5%
Haven't bothered, never thought about it, not interested	17.6%	19.8%
Doesn't intend to stay long with job/employer	4.7%	6.6%
Other, not determined	6.1%	0.7%
	100.0	100.0
	%	%

*Employed Persons aged 45 to 74 Not Covered by a Superannuation Scheme:  
Reason Not Contributing Personally to a Superannuation Scheme  
Employees Data : November 1995 (Catalogue 6319.0)*

Reason Not Contributing	Males	Females
Retired from full time work	10.3%	4.1%
No working full time	2.6%	1.5%
Has life assurance / other superannuation scheme	5.9%	2.0%
Spouse has cover	0.0%	9.1%
Cost, can't afford it	25.2%	37.2%
Too young , too old	9.9%	6.8%
Too complicated	0.8%	1.4%
Has other investments	10.0%	3.5%
Erosion of fund, return not worthwhile	4.3%	3.4%
Haven't bothered, never thought about it, not interested	10.3%	12.7%
Other, not determined	20.6%	18.3%
	100.0	100.0%
	%	

The 1995 data relates to older employees (45 to 74); the 1993 survey covers all people aged 15 to 74.

For both sexes, in both surveys, the most common reason for lack of superannuation is the cost: both men and women say that they simply can't afford to put any money into superannuation savings. This was the most important reason for 37% of women with no superannuation.

In both surveys, women were slightly more likely than men to neglect superannuation through lack of interest.

Taking both surveys overall, only a small number of people had decided that superannuation is simply too complicated. The percentages for both men and women were only about 0.8-1.4%.

Based on the above data, a significant number of both men and women are uninterested in planning for their retirement - and the proportion of women who are uninterested is only slightly higher than the number of men. The difference would not seem sufficient to justify allocating a disproportionate share of educational resources towards women.

Men were much more likely to have other sources of retirement income, such as life assurance or other investments, and therefore had a lower need for extra superannuation.

In both surveys, about 9% of women were relying on their husband's superannuation, whereas few (if any) men adopted this attitude. Hence, one might argue that it would be useful to

provide women with information about their entitlements in the event of divorce. (Of course, men also need this information, since they will need to know what proportion of their benefits which will be allocated to their ex-wives in the event of divorce !).

However, the above-mentioned surveys indicate that few women wish to consider the possibility of divorce, until it becomes a reality. For example, the GESB report says:

*"Contributing to [women's] vulnerability is their reliance on the superannuation of their partners for financial security. Most don't want to face the reality that, for some women, the partnership will not survive. Even if they reluctantly admit that this may be so, they lack adequate information on their rights in sharing the fruits of the partnership's investment in the man's superannuation scheme. This lack needs to be remedied."(p30, 4)*

### **3B Fund Specific Data: Employee Contribution Rates**

In the overall population data, there are too many factors which affect the level of employee contributions - it is hard to isolate the impact of gender from other factors. So in order to determine if men and women make different contribution decisions, it is preferable to look at fund-specific data.

Data is available from a number of public sector funds which allow members to choose their own contribution rate (within specified limits). In many of these funds, the level of employer support depends on the level of employee contributions. This provides a clear incentive for making contributions at a higher level (subject to some maximums).

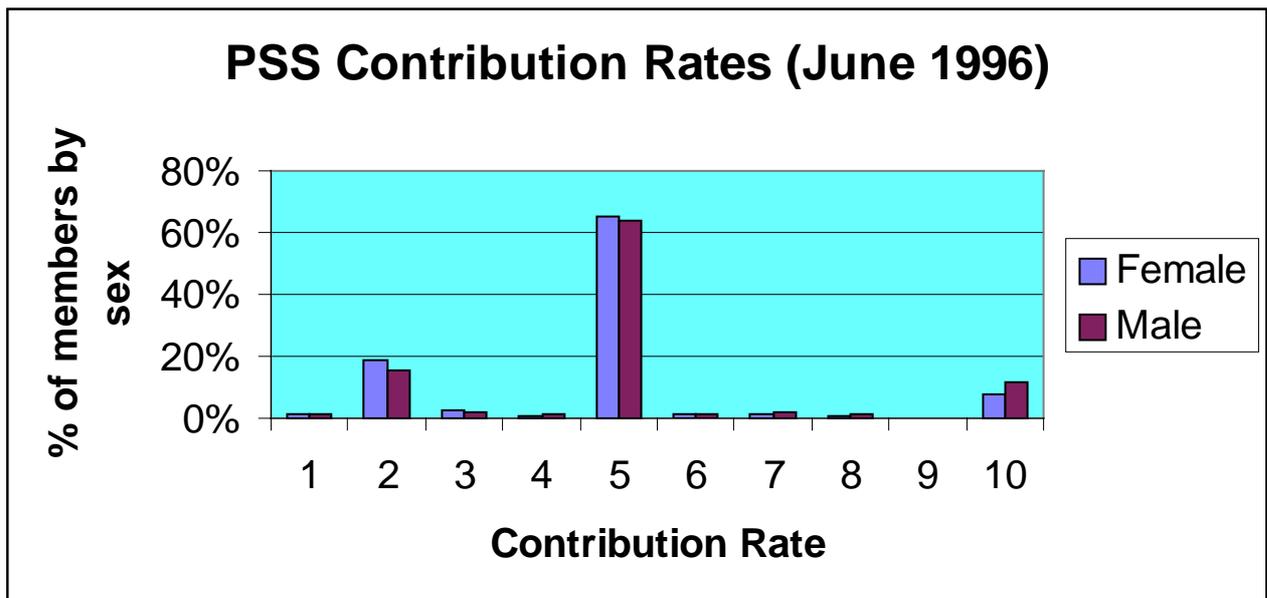
Hence we should be concerned if women are contributing at a level significantly below the men. This might indicate a lack of understanding and/or need for more educational resources to be directed towards women.

#### **Commonwealth Public Sector Funds**

The Public Sector Superannuation Scheme is a defined benefit fund which allows members to choose a contribution rate between 2% and 10% (members on leave, or members who have accrued the maximum benefit, may contribute at 0%).

The benefit accrual rate depends on the member contribution rate, and provides a clear financial incentive to make additional member contributions. There are some limitations, designed to prevent excessive accruals over a short period, i.e. if the member contributes at more than 5% p.a. over the first ten years, the employer financed benefit will not exceed the accrual for a 5% contribution rate. Also the maximum benefit is limited to approximately eight times final average salary - hence there is little incentive for the member to make additional contributions, once the maximum has been attained. However this is only likely to affect older members with a long period of past service.

The following data on member contribution rates was kindly provided by the Australian Government Actuary's office.



There is clearly a strong similarity between male and female contribution rate patterns. Most member choose to contribute at the default rate, i.e. 5% p.a. However, females are more likely to choose the minimum contribution rate (2%) and males more likely to choose the maximum (10%).

The average contribution rate for females was 4.78%, compared to 5.07% for males.

This may reflect differences in employment status (part time or full time), age distribution, or salary.

### Victorian Public Sector Funds

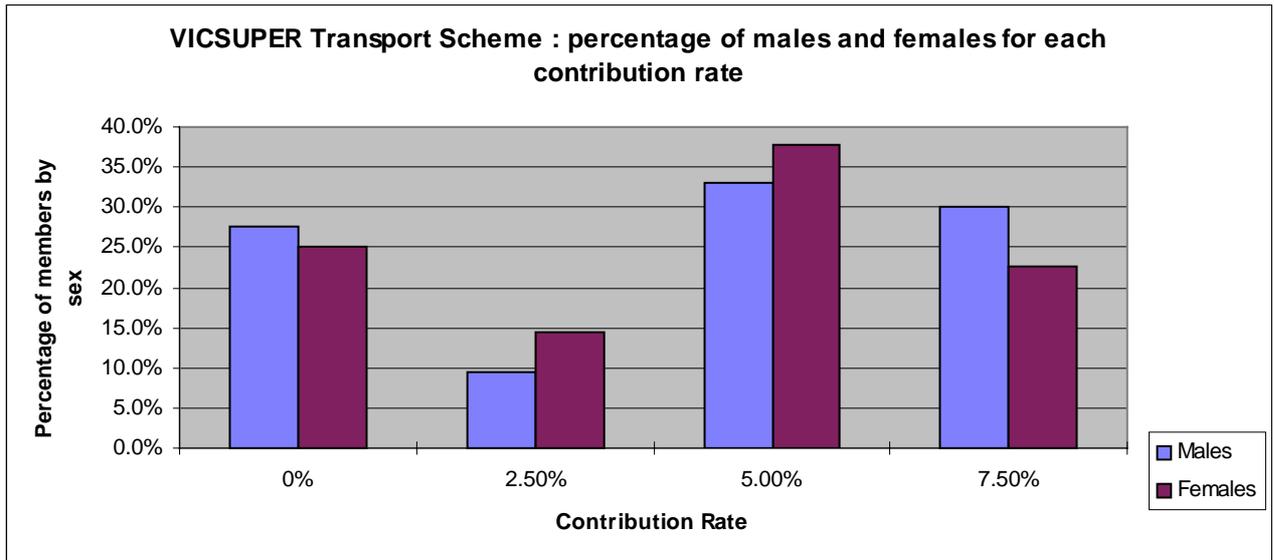
Two of the public sector funds (the New Scheme and the Transport Scheme) give members a choice of contribution rate, while providing a financial incentive to make extra contributions.

The Transport Scheme, which has approximately 5,300 members, was closed to new members in 1994. The members may contribute at 0%, 2.5%, 5%, or (in certain limited cases) at 7.5%. The accrual rates for retirement benefits depend on the member contribution rate (subject to a maximum of 7.35 times final average salary).

Member Contribution rate	0%	2.5%	5.0%	7.5%
Accrual rate	8.5%	13.0%	17.5%	22%

There is clearly a financial incentive make extra member contributions.

The percentage of males and females making contributions at each rate is shown below.



The pattern of male and female contribution rates is quite similar, however the female average contribution rate (3.9%) is slightly below the male average contribution rate (4.1%).

The other Victorian scheme, the New Scheme, also shows differences in the contribution rates for males and females. The 1997 actuarial report includes a summary of salary-weighted contribution rates, for each age group, split by sex.

Again, there is evidence that females are contributing at a slightly lower rate than males. The size of the discrepancy varies by age.

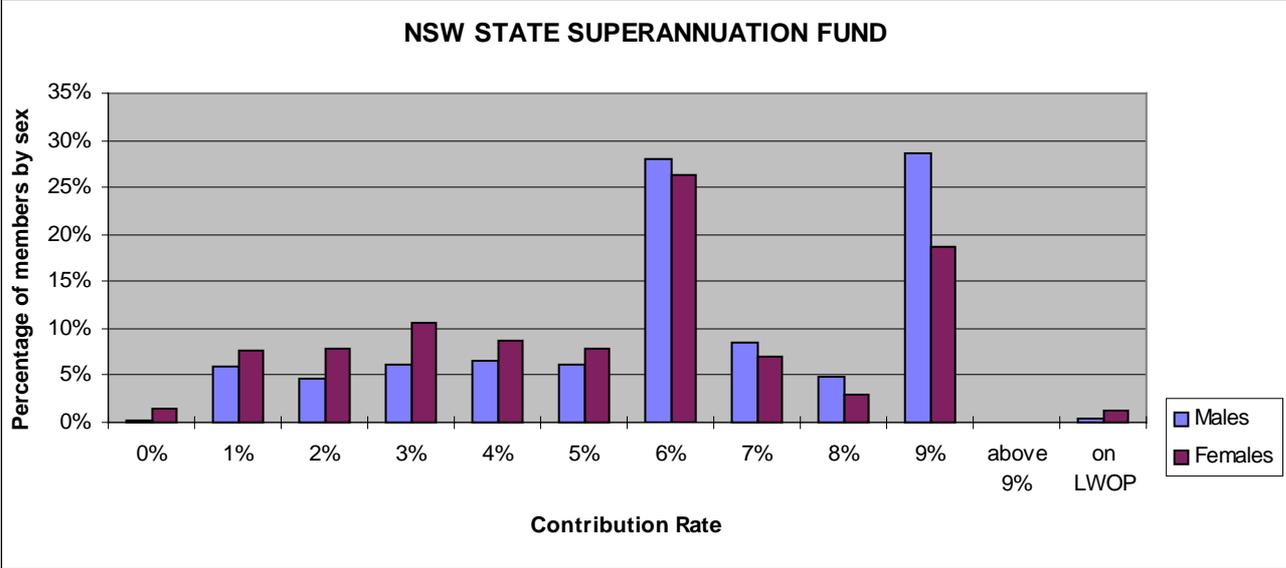


**NSW Public Sector Funds**

The State Authorities Superannuation Scheme is a defined benefit fund which allows flexible member contributions: members may contribute at 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, of 9% of salary (and members in financial hardship may be allowed to contribute 0%). The final benefit is a lump sum accumulation of member contributions, plus a lump sum equal to 2.5% \* 85% \* “benefit points” \* final salary.

Generally, one benefit point accrues each year per 1% of salary contributed by the member, except for classes of member covered by special transitional arrangements. However, there is a maximum on the level of employer support, applied over the whole period of service. A consistent 6% contribution rate maximises the level of employer support over the whole period of service.

The 1996/97 annual report gives information on the proportion of males and females contributing at each rate. (The final column represents members on leave without pay).



The pattern of contributions for male and female members is quite similar. Once again, most members choose to contribute at the rate required to maximise the employer’s contribution - in this case, 6% p.a.

However, women are more likely than men to be contributing at lower rates. Members may contribute at 0% only in circumstances of financial hardship. The table shows that a higher proportion of female members fall into this category. Women are also more likely to be on leave without pay - presumably in relation to maternity leave.

The average rate for males was 6.1%, for females 5.3% (excluding the people on leave without pay).

We can obtain more detailed information from the actuarial reviews. The actuarial report dated 30 June 1994 shows average male and female contribution rates, by age and

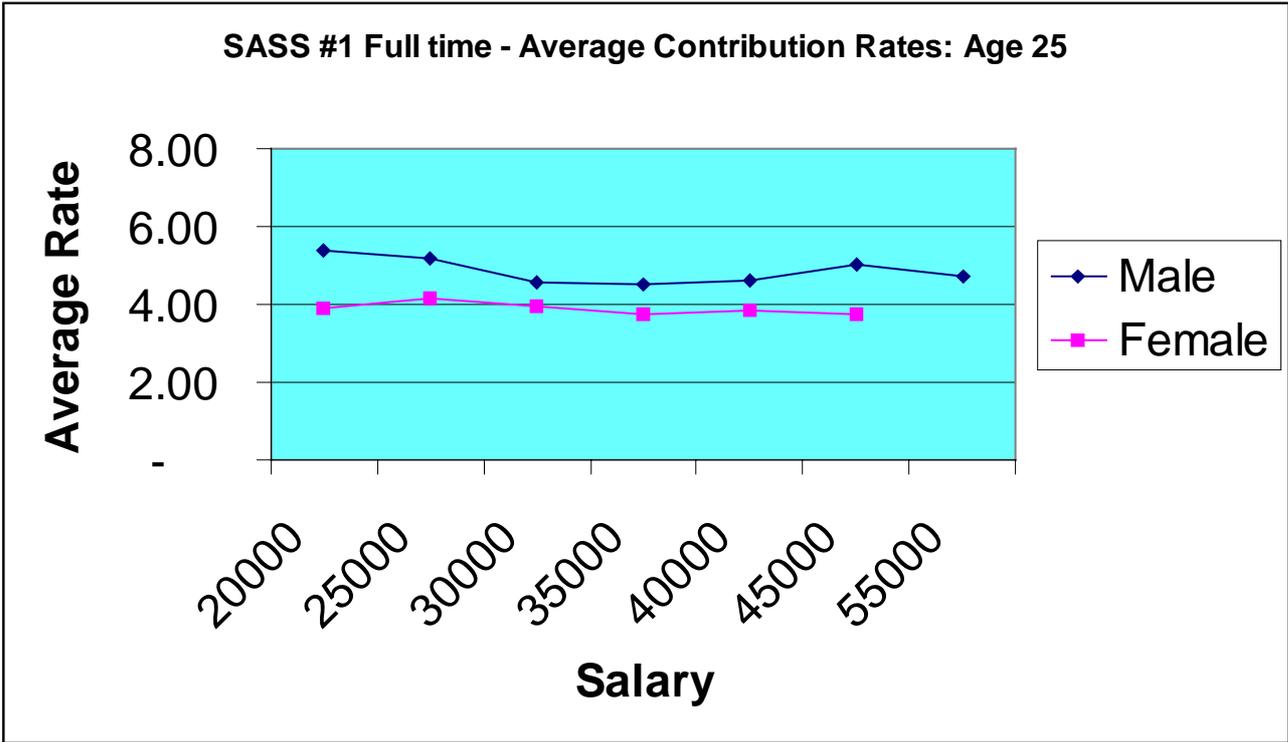
employment category (there are three different membership categories, corresponding to the type of employment).

The average female contribution rates are lower than the male contribution rates, in all three categories of the fund, but the gap is only about 0.3% to 0.5%. Hence the "gender gap" appears narrower after adjusting for age and employment category.

It is interesting to note that new entrants tend to have considerably lower average contribution rates than longer serving members, for both males and females, at all ages above age 20. (This information is given in the actuarial report but is not reproduced here). Does this reflect a learning curve, as it takes some time for new members to learn the fund rules ?

The SASS trustees very kindly provided access to more detailed information about contribution rates, which allowed analysis by age, sex, salary, and employment group. The following graphs relate to the average contribution rates for group 1 employees, who work full time, split by age, sex, and salary. I have excluded categories where the number of members is below 20, and all people with salaries exceeding \$75,000 have been included in the \$75,000 category. The data relates to the previous actuarial valuation date.

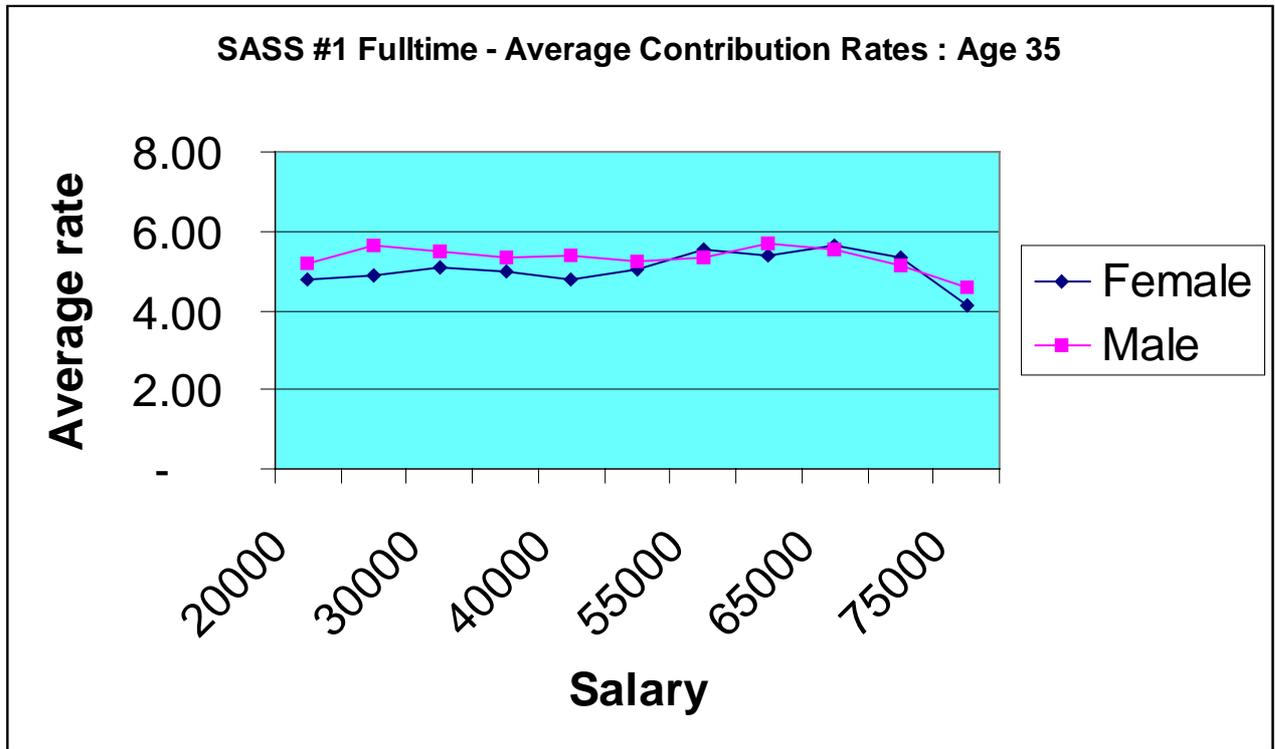
The total number of members in this data set is approximately 66,000, with 25000 women and 41,000 men.



There is clearly a gender gap" in the average contribution rates at young ages. Even after allowing for salary and employment status, young women are contributing at a lower rate than men, at all salary levels.

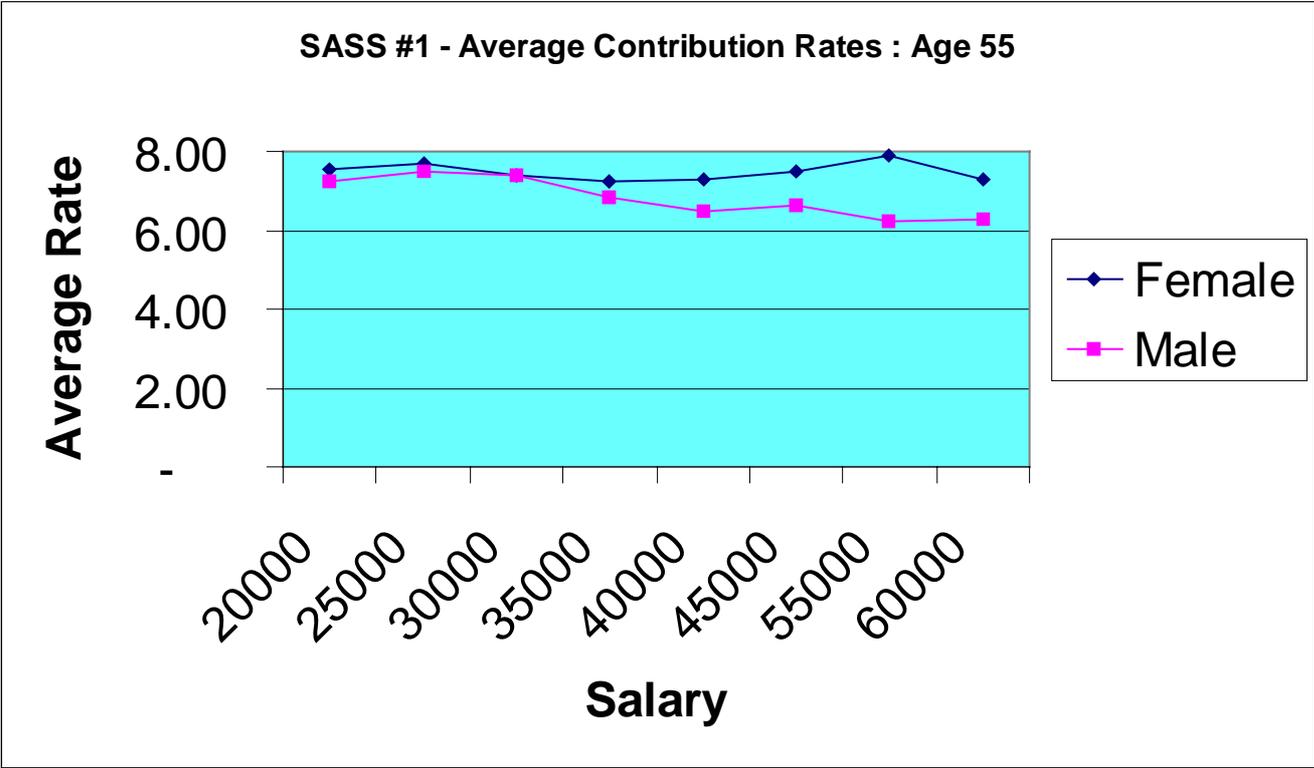
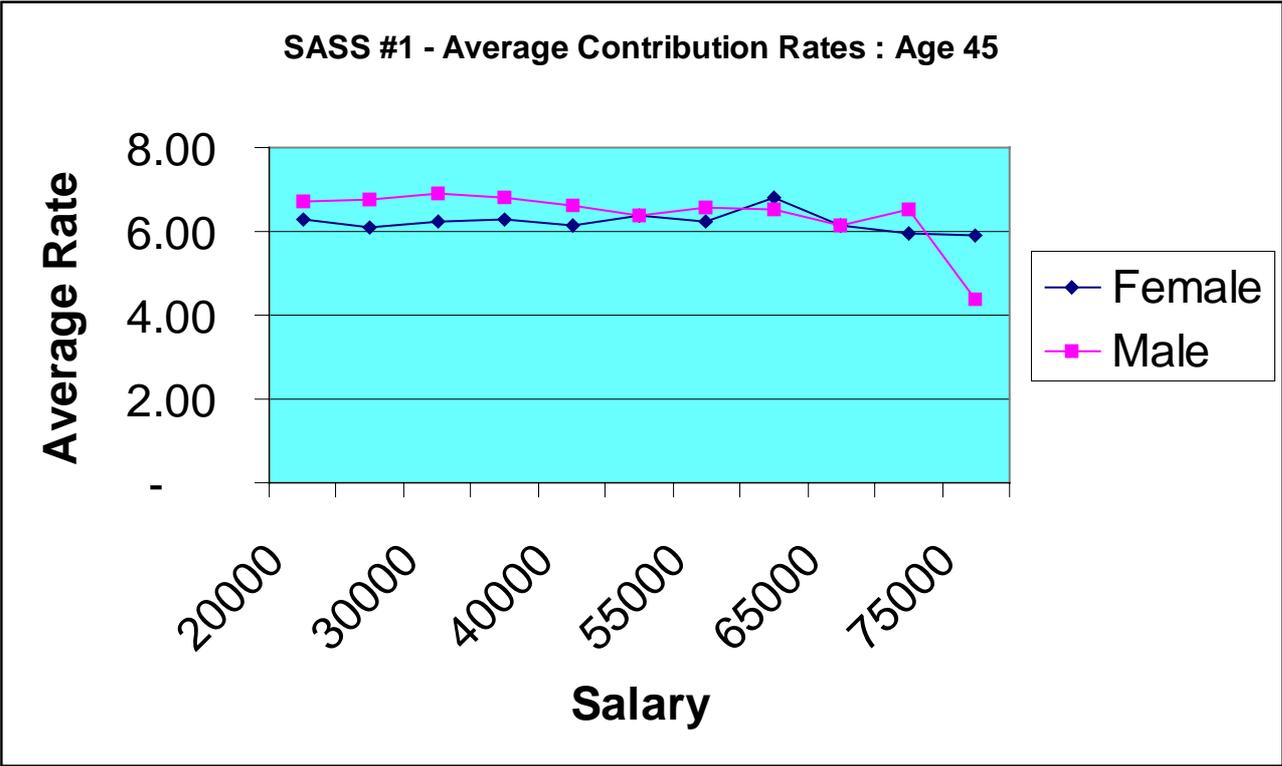
At older ages, the gender gap narrows. For those in the age 35 category, the gap between men and women has reduced to about 0.4% to 0.5% at the lower salary levels; at higher salary levels, the rates for men and women are approximately the same. (Notice the greater

variability at the higher salaries, reflecting the smaller number of people with salaries above \$60,000).

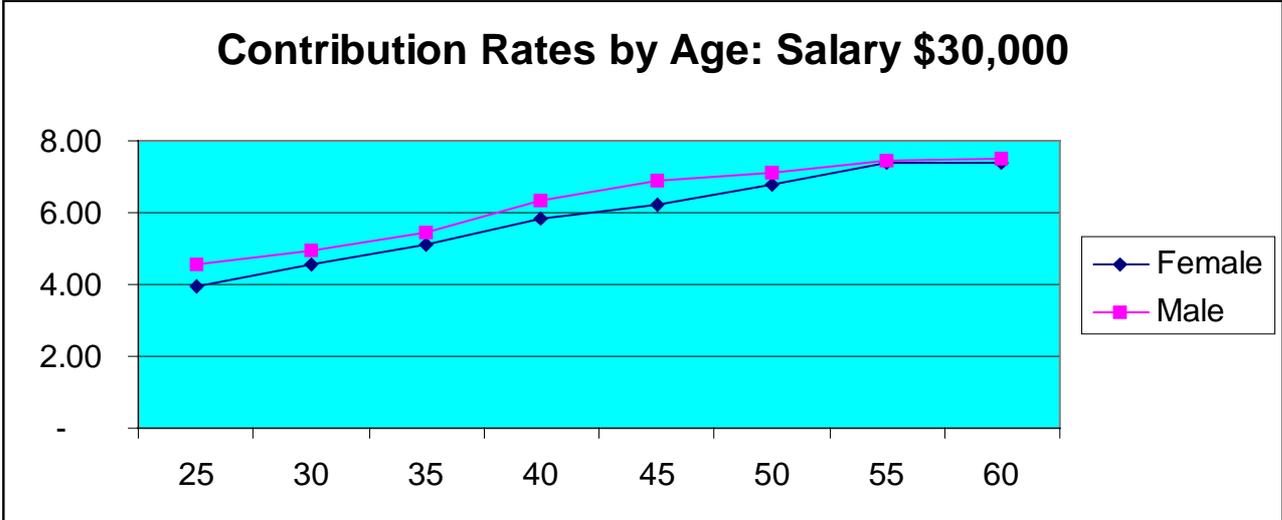


A similar pattern appears in the graph for members age 45. There is a "gender gap" at the lower salary levels (about 0.5 to 0.6%) which disappears at the higher salary levels.

When we look at the average contribution rates for those in the age 55 group, the gender gap has reversed itself. Women at this age are making contributions at a higher rate than the men. The difference is negligible at the lower salary rates, but there is a distinct gap at the higher ages. This may reflect a generational factor - if some women did not have adequate superannuation arrangements when they were younger, they might decide to "catch up" before retiring. Those with higher salaries can afford to set aside a higher amount in order to achieve this goal.



As expected, the contribution rates also vary depending on age, with older members making higher contributions on average.



How significant are the discrepancies in contribution rate ? We can compare the final benefits for males and females, applying the contribution rates given above, assuming a salary of \$30,000 per annum. If we assume entry at age 25, exit at age 60, and interest at 3% p.a., then the accumulated contributions for the male would be about \$8,000 higher, or approximately 8% higher. The actual difference in benefits would be considerably higher, reflecting the fact that in this scheme the employer’s subsidy is linked to the level of member contributions.

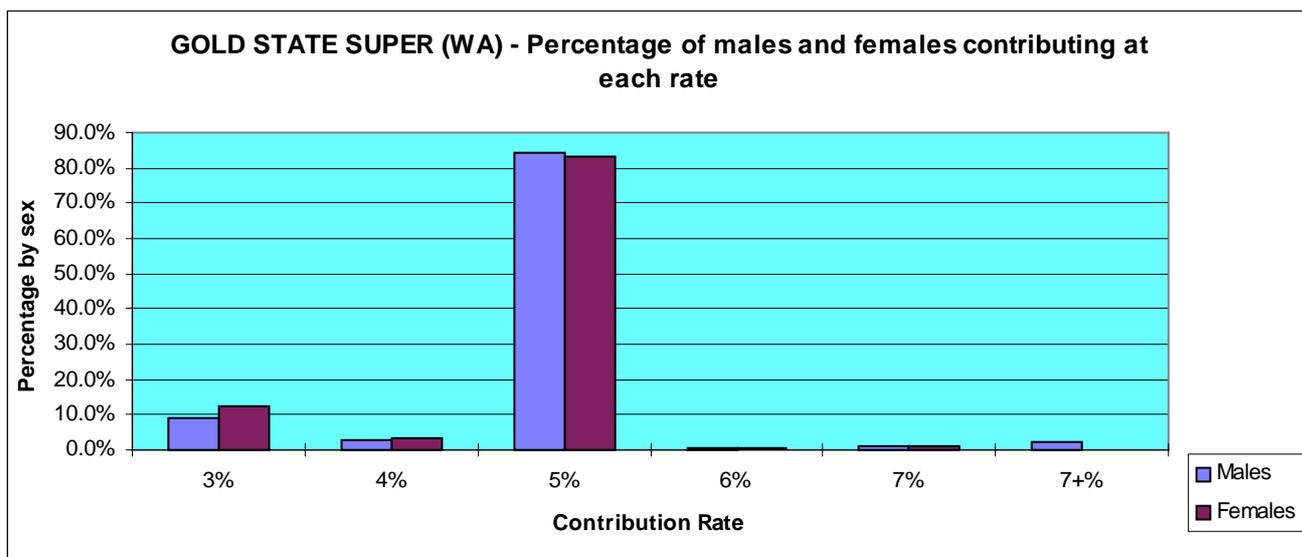
**West Australia : Gold State Superannuation**

In Gold State Superannuation, the members are allowed to contribute at 3%, 4%, 5%, 6%, or 7% (a small number of members are given the option to contribute at higher rates).

The benefit accrual rate reflects the level of member contribution: the accrual rate is 20% for a 5% contribution rate, and pro-rata for other contribution rates. However, the maximum benefit is based on an average contribution rate of 5% p.a. Hence there is no financial incentive to contribute at a rate above 5% over the long term. The availability of the 6% and 7% contribution rates simply allow greater flexibility, i.e. a member may contribute at 3% for some time and later catch up by contributing at 7%.

The graph below shows the member contribution rates by sex, at 30 June 1997, excluding members on leave who are not contributing. Clearly most members, male and female, contribute at the default rate of 5%, which will maximise the employer support.

A slightly higher percentage of females are contributing at the lowest possible rate (12% of females vs 9% of males); as a result, the average contribution rate for females (4.7%) is slightly below the average contribution rate for males (approximately 4.9%).



Although a larger number of women are contributing at the lowest rate, this may reflect difference in employment status - more than 4000 female members are part-timers, whereas only 356 male members are part-timers.

As noted above, the West Australian trustees have conducted surveys which suggest that women members have a poor understanding of their benefits. However, the choices made by the women appear, by and large, to be both rational and consistent with the choices made by men. Of course, it is impossible to tell if the members have seriously considered their options, or simply taken the default option without consideration.

### 3.2 INVESTMENT PATTERNS

Many funds are now allowing members to choose their own investment strategy. Many trustees and superannuation experts are concerned about the impact on member benefits, if members make unwise decisions. The same concern has been raised in several American studies of member investment choice in 401(k) plans.

In particular, many believe that members are likely to be overly cautious, investing in “safe” assets such as cash and fixed interest instead of “risky” assets such as shares and property. But in the long run, average expected returns on these “risky” assets are highly probable to be to be significantly higher than the returns on “safe” assets. Hence, excessive caution is very likely to result in lower benefits.

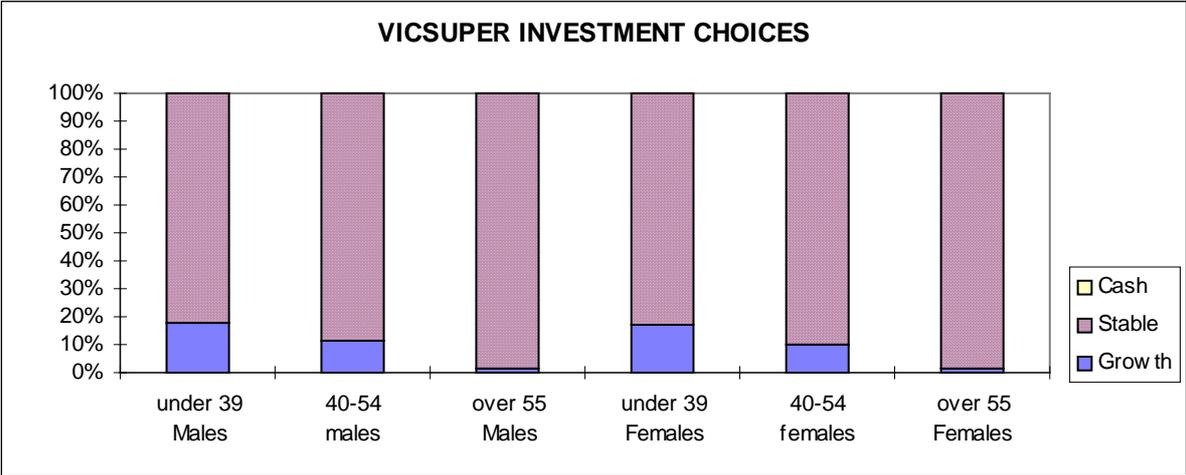
Are women likely to be more risk averse than men, making poorer investment decisions ?

#### Investment Choice in Vicsuper

The Victorian Superannuation Fund offers members a choice of investments. The VicSuper scheme has more than 85,000 members, and they were given a choice between a growth option, a capital stable option, and a cash option. Existing members who did not make an election were allocated to the capital stable option. New members who did not make an election were allocated to the growth fund if under age 50, or to the capital stable fund if over age 50.

This age-based rule only applies to new entrants after 1 May 1997, so it would only affect a relatively small number of members so far (data shown is as at 31/1/98).

The following graph shows the investment choices by age and sex. There is very little difference in the choices between males and females. Females are just slightly more likely to choose the more conservative investment option (the capital stable fund).



It would be very interesting to obtain more information about investment decisions made in other funds, subdivided by age and sex, and this is suggested as an area for further research.

**2.4 PRESERVATION CHOICES**

Superannuation fund members may be given a choice of benefit options on resignation. In one of the Australia’s largest funds, the PSS, members are given a choice between a preserved benefit and an immediate lump sum.

A member who preserves his/her benefit is given the option of taking a pension benefit or a lump sum benefit at retirement - this is a valuable option, because the pension benefit is worth considerably more than the lump sum benefit (particularly for married members). This provides a financial incentive for members to preserve their benefits.

The Government Actuary’s Office has conducted an investigation into preservation rates in the PSS. The study found that there are a number of factors which are associated with preservation rates (including year of exit, size of benefit, and age at exit) - and they also found a significant difference by sex:

*"PSS members are showing an increasing propensity to fully preserve their benefits with males slightly (but consistently) more likely to do so than females. ...Even allowing for other factors identified in the paper, there is variation in overall preservation rates between genders. This suggests that further analysis of gender-specific rates may be worthwhile."(13)*

#### 4. AMERICAN RESEARCH ON CONTRIBUTION RATES

In the United States and Canada, there has been considerable research into patterns of participation in retirement savings plans.

##### Retirement Confidence Surveys

In the United States, the Employee Benefits Research Institute and the American Savings Education Council conduct an annual survey, The Retirement Confidence Survey.

The Retirement Confidence Survey is a telephone survey of 1000 American over age 25. As in Australia, surveys show that most members have very little understanding of retirement savings needs. They found that only 27% of working Americans had any idea of what they would need to accumulate in order to retire when and how they want.

According to the US survey, the gender gap for retirement planning is not large - only 39% of men, and 36% of women, have attempted to work out the amount of savings needed for retirement. (17) Among those who have not attempted such calculations, the reasons are quite similar for both sexes: as shown in the table below, most felt that it was too time consuming and/or too complicated. Many stated that they were already saving as much as possible, and they would not be able to save more even if their calculations revealed that this would be desirable.

*Retirement Confidence Survey*

	Men	Women
Have Done Retirement Savings Need Calculation	39%	36%
Reason for not doing this calculation		
• Can't find the time	37%	40%
• Can't save more	56%	56%
• Process too complicated	23%	16%
• Afraid of the answer	23%	34%

These results seem consistent with the Australian surveys. There are quite strong similarities between the attitudes of men and women, in relation to retirement planning

Does education affect the choices made by men and women ? In the United States, many employers provide a great deal of information to their employees, to encourage them to participate in 401(K) plans. Of the members who are contributing, 86% said that they had used employer-provided materials or attended employer sponsored seminars.

- 45% said that such information led them to begin contributing
- 38% said that it led them to change the amount of contributions
- 49% said that it led them to change their asset allocations.

	Men	Women
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#### Use of Employer-Provided Educational Material

• Changed Contribution Amount	41%	34%
• Changed Asset Allocation	47%	52%

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This indicates the importance of education for both men and women - and perhaps it indicates that women are more likely to benefit from investment-related information.

#### **Employee Benefits Research Foundation (EBRF) Studies**

In the United States, many employers set up tax effective retirement savings plans for their employees. The most common type is the 401(K) plan (so-called because it is authorised under section 401(K) of the Internal Revenue Code). Employees may forego cash payments from the employer, in return for equivalent contributions to a 401(K) plan. This is tax effective, since the contribution is not taxed as income until it is subsequently withdrawn, i.e tax is deferred. There are limits (set by the Internal Revenue guidelines) on the amount any individual can contribute to a 401(k) plan in any year.

Participation is completely voluntary. To make retirement savings more attractive to employees, the employer will often provide a matching contribution - for example, the employer might contribute 50 cents for each dollar of member contributions, up to a limit of 5% of salary. Hence there is a clear financial incentive for employee contributions.

The Employee Benefits Research Foundation has been conducting studies of participation rates and contribution levels in three large plans (AT&T, IBM, and New York Life).

Their research shows the expected demographic patterns of savings - older members, and those on higher incomes, contribute a higher percentage of salary on average.

However, there is little difference between the participation rates for men and women. For example, in the AT&T fund, 79% of women and 80% of men chose to participate in the 401(K) plan. (Note that participation rates increased for both sexes, after the employer ran an education program for all employees).

Surprisingly, despite any differences in salary levels, on average female members were contributing a slightly higher percentage of salary into 401(k) plans, for all four plans included in the study.

#### *Average Employee Contribution Rate 401(K) Plans*

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Company	Males	Females
Company A	6.7%	6.8%
Company B - non highly compensated employees	5.3%	5.4%
Company B - highly compensated employees	5.7%	6.3%
Company C	6.2%	6.5%

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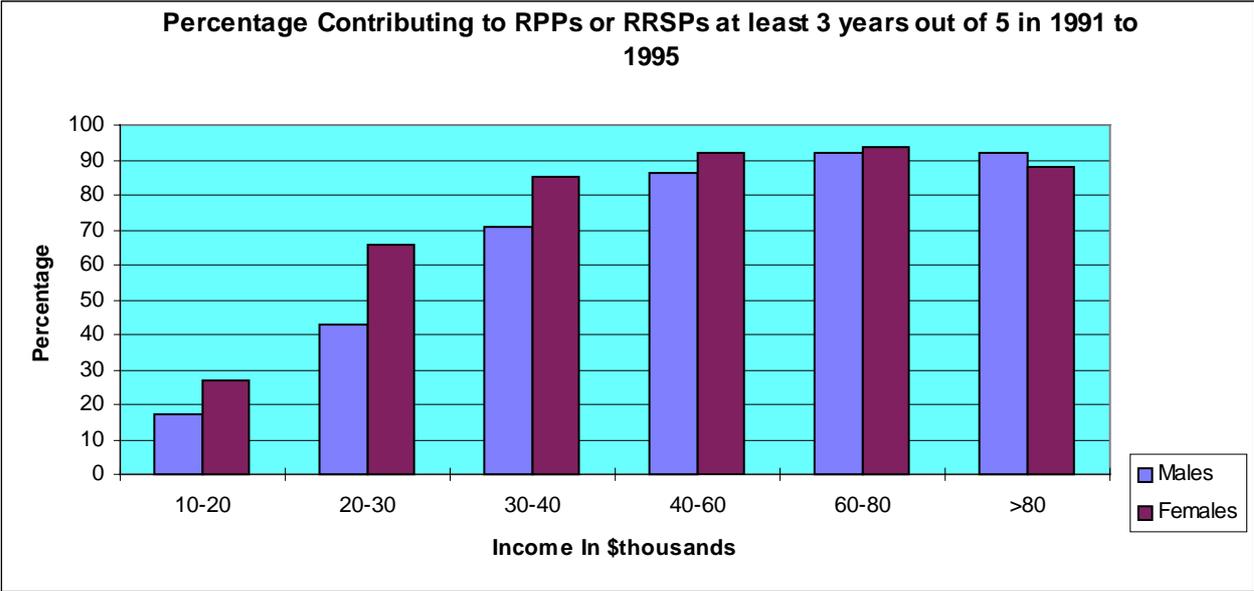
Source : EBRI Issues Brief 174 June 1996

#### **Canadian Studies**

In Canada, workers may contribute to Registered Pension Plans (RRPs) or Registered Retirement Savings Plans (RRSPs).

- RPPs are employer sponsored pension plans. Participation is usually compulsory.
- RRSPs are similar to our Retirement Savings Accounts.

Both RPPs and RRSPs offer tax advantages for retirement savings. Statistics Canada looked at participation and contribution rates for both types of retirement savings, from 1991 to 1995.



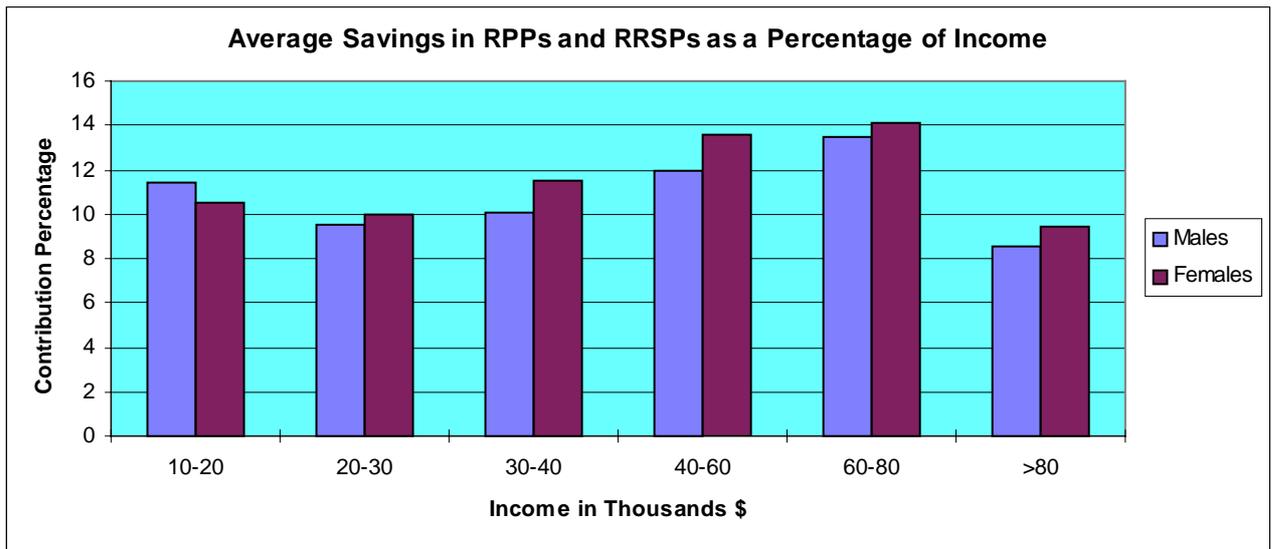
Source : Statistics Canada Cat No 74F0002XPB

As expected, those on high income were much more likely to contribute to a retirement plan. Also as expected, older members were more likely to contribute than younger members.

But unexpectedly, it appears that Canadian women are better retirement savers than men.

On average, men are more likely to participate than women, and contribute more in total - but this simply reflects the fact that men are more likely to be in the higher income brackets. After adjusting for income, women were more likely to be members of an RPP or RRSP, for nearly every income category. (14)

Furthermore, on average women were contributing a higher percentage of salary.



Source : Statistics Canada Cat No 74F0002XPB

In summary, the overseas data from the USA and Canada, although limited, does not reveal any significant differences in the levels of participation and/or contribution rates by sex. This might reflect the intensive efforts by employers, in educating the members of their funds.

## CONCLUSIONS

Based on the evidence from public sector funds in Australia, women do tend to contribute at slightly lower rates than men, when given a choice. This holds true even when there are financial incentives to contribute (such as employer subsidies which depend on the member contribution rate). The difference in rates is generally about 1/2%, although this varies from one scheme to another.

However, it appears that the "gender gap" varies by age and/or generation. Younger women tend to contribute at rates which are lower than their male colleagues, even when matched by employment status and salary level. This gap diminishes at older ages, particularly for those on higher salaries (who presumably have greater discretionary income available to save). By age 55, the gender gap may even reverse - as women near retirement, they tend to increase their contribution rates to levels above those of their male counterparts.

This contrasts with some large funds in the USA (and aggregate data in Canada), where men and women have approximately the same level of participation and the same contribution rates. This may reflect the level and type of information provided to members by the employers.

In other areas of choice, such as preservation and investment decisions, there is also some evidence of (relatively slight) differences in the decisions made by men and women. Given the increasing tendency towards investment choice, further research in this area would be desirable.

This data may justify increasing the educational resources which should be devoted to younger women, in particular. However, it is worthwhile to point out that ALL young people, both men and women, are contributing at rates which might be considered sub-optimal by many experts !

However, it is noted that the great majority of members, of both sexes, simply choose the default rate for contributions and the default option for investments. If trustees wish to encourage higher levels of voluntary contribution and more sensible investment decisions, a simple change in the new member's application form may be most helpful !

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