

Superannuation Guarantee Increase Survey

OCTOBER 2020



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Introduction

Superannuation in Australia (more commonly known as ‘super’) is a mandatory retirement savings mechanism that locks up a proportion of employees’ current income until they reach preservation age i.e., the age at which their superannuation can be accessed, (between the ages of 55 and 60)¹.

Superannuation Guarantee (SG) legislation requires most employers to pay at least 9.5% of their employees’ ordinary time earnings (OTE) into a complying superannuation fund². This is set to increase to 10% on 1 July 2021 as detailed below³.

Tax Year	Super Guarantee Rate (%)
2012/2013	9.0%
2013/2014	9.25%
2014/2015	9.5%
2015/2016	9.5%
2016/2017	9.5%
2017/2018	9.5%
2018/2019	9.5%
2019/2020	9.5%
2020/2021	9.5%
2021/2022	10.0%
2022/2023	10.5%
2023/2024	11.0%
2024/2025	11.5%
2025/2026 and onwards	12.0%

Although the SG rate is legislated to increase to 10% from 1 July 2021, in the wake of the COVID-19 crisis, there is considerable lobbying taking place to delay this increase yet again.⁴ Any decision to delay the SG rate increase will result in extensive ramifications for employee’s retirement savings.

To ensure survey participants have access to the very latest information regarding organisations’ intended approach to managing the SG rate increase, this pulse study was conducted between the 1st and 25th September 2020 and published in October 2020. The insights and analysis included in this report are based on data from 191 organisations in Australia.

Thank you for your participation and we trust you will find the results helpful in planning your organisation’s response to this anticipated legislative change. In an environment where things can change quickly, please remember you are always welcome to contact Aon for support in making decisions on these important matters.

¹ (Australian Taxation Office, 2020)

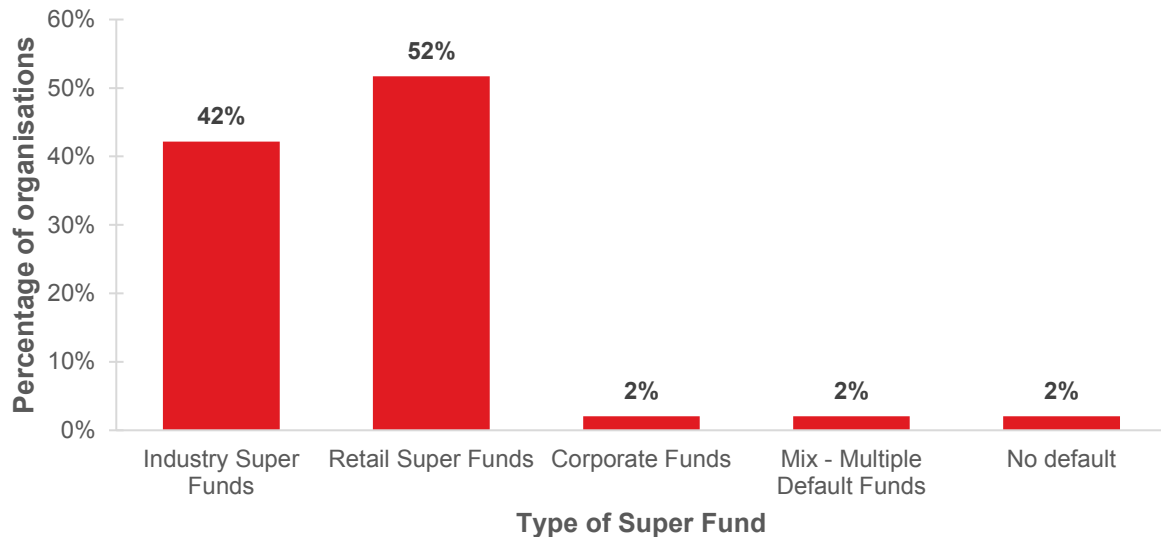
² There are very few exceptions to the SGC legislation at an employee level e.g. defined benefits funds, and part-timers earning less than \$450/month.

³ (Australian Taxation Office, 2020)

⁴ (The Australian Financial Review, 2020)

Superannuation Packaging

What type of default Superannuation Fund does your organisation currently offer?



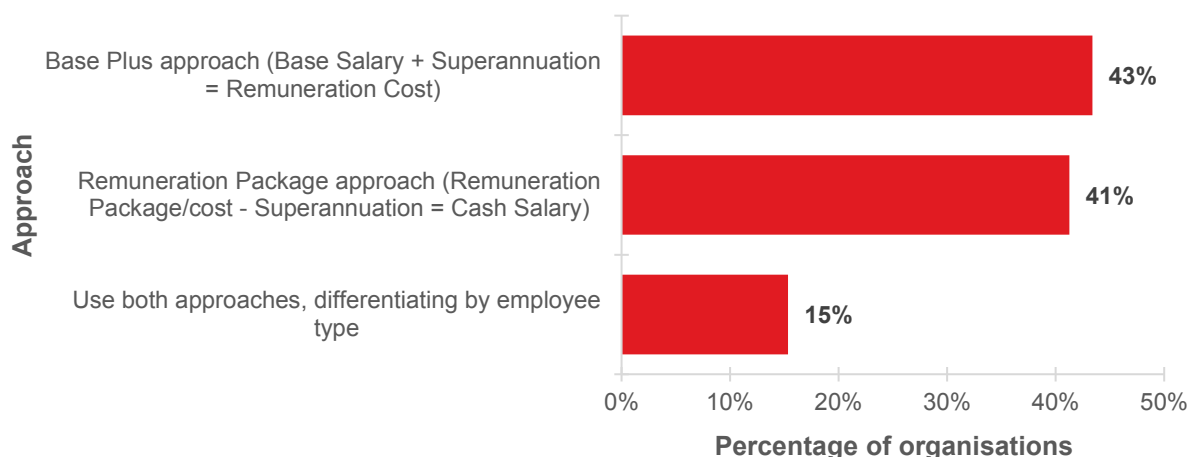
52% of participating organisations currently use a Retail Super Fund, followed by Industry Super Funds (42%). Only a very small percentage of organisations use Corporate Funds (2%).

Please note, where required, the nominated fund type was reclassified based on the actual fund provider identified in the following question. This suggests a lack of understanding of how these different types of super funds are defined and/or a broader engagement and communication gap between organisations and their superannuation provider.

What is your current approach to remuneration and superannuation?

Base Plus = The organisation communicates the base salary and then the additional cost of benefits (incl. super) are added on top.

Remuneration Package = The organisation communicates the overall remuneration package value (i.e., Fixed Remuneration or Total Package). Any benefits (incl. super) are then deducted from the overall package.

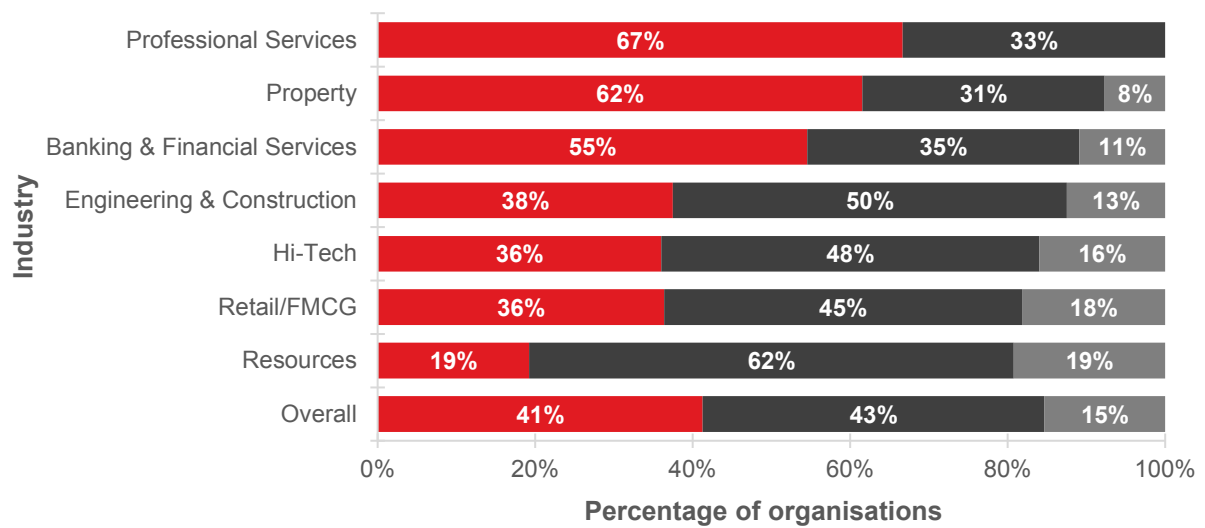


The majority of participating organisations utilise the Base Plus approach to remuneration and superannuation (43%), which is only slightly more than the organisations who adopt the Remuneration Package approach (41%). 15% of organisations use both approaches but differentiating by employee type.

This is a similar finding outcome to that in 2012⁵, where 44% of organisations used a remuneration package approach, 34% a Base Plus approach, and 22% of organisations utilised both approaches, differentiating by employee type.

⁵ Aon Superannuation Pulse Survey Australia (2012)

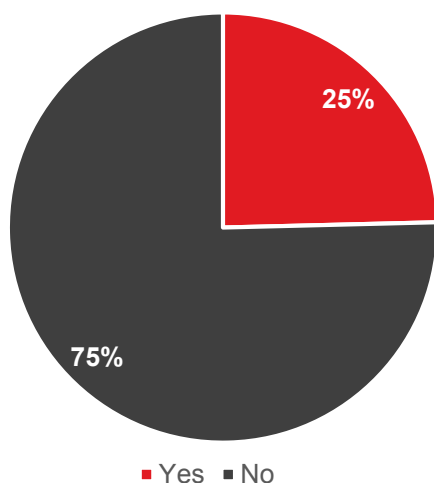
By Industry



- Remuneration Package approach (Remuneration Package/cost - Superannuation = Cash Salary)
- Base Plus approach (Base Salary + Superannuation = Remuneration Cost)
- Use both approaches, differentiating by employee type

Current Superannuation Approach

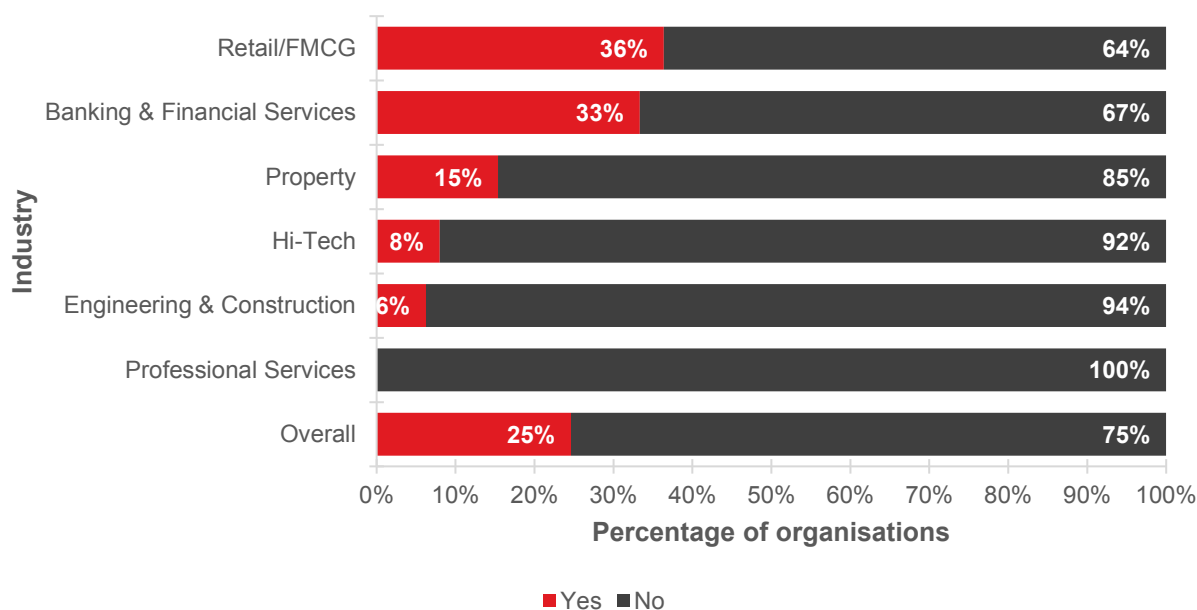
Does your organisation currently offer superannuation above the legislated minimum SG (Superannuation guarantee) rate of 9.5%?



Only 25% of participating organisations currently offer some superannuation above the legislated minimum SG of 9.5%.

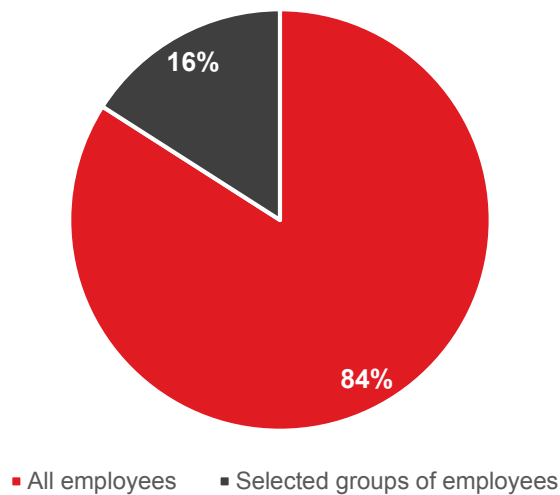
This is a slight reduction compared to the 29% of organisations who reported offering superannuation above the minimum SG rate in 2012.⁶

By Industry



⁶ Aon Superannuation Pulse Survey Australia (2012)

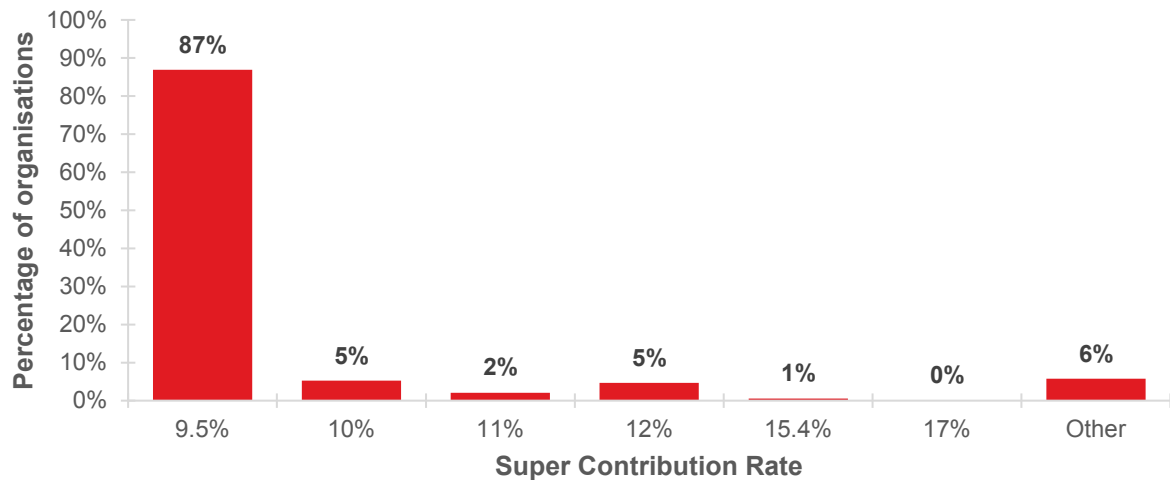
Which workforce segment/s are entitled to employer superannuation contributions above the legislative minimum?



- Of those organisations that contribute employer super contributions above the legislative minimum 84% do so for all employees.

- The remaining 16% differentiate by employee groups, including those on Enterprise Bargaining Agreements (EBA); employees at higher job levels; and long-standing employees.

What is your current employer super contribution rate?



The majority of participating organisations (87%) contribute superannuation at the legislated minimum of 9.5% to some or all employees. Other super contribution rates ranged between 10% to 15.4%.

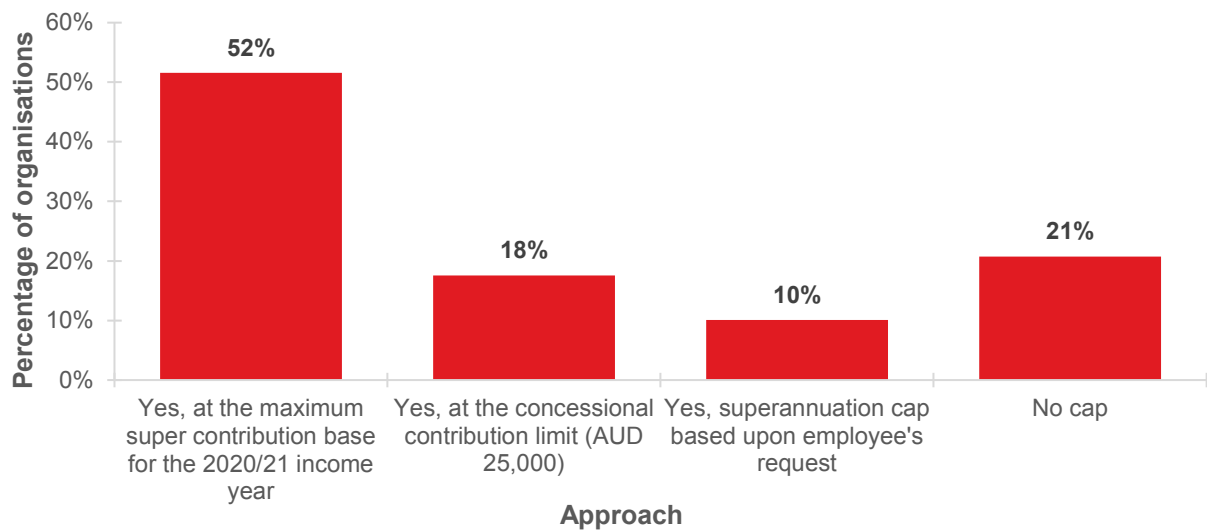
Among organisations offering superannuation above the legislated minimum the median rate offered is 11%, representing a 1 percentage point increase from the 2012 survey⁷.

By Industry

	Super Contribution Rate					
	9.5%	10%	11%	12%	15.4%	Other
Banking & Financial Services	81%	9%	0%	5%	2%	7%
Resources	77%	8%	8%	8%	0%	8%
Hi-Tech	100%	0%	0%	0%	0%	0%
Engineering & Construction	94%	0%	0%	0%	0%	6%
Property	92%	0%	0%	8%	0%	0%
Professional Services	100%	0%	0%	0%	0%	0%
Retail/FMCG	82%	9%	9%	9%	0%	0%
Overall	87%	5%	2%	5%	1%	6%

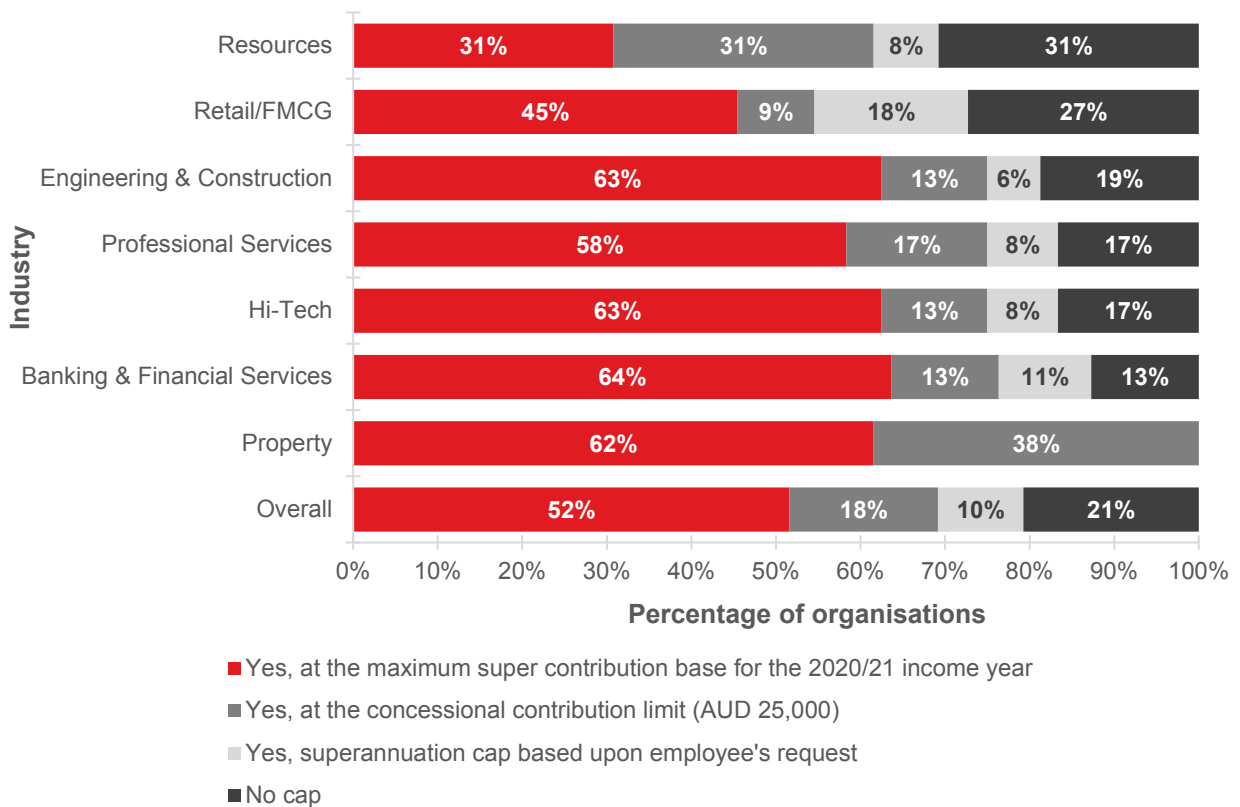
⁷ Aon Superannuation Pulse Survey Australia (2012), the median employer contribution rate of those paying above the legislated minimum was 10%.

Does your organisation cap superannuation?

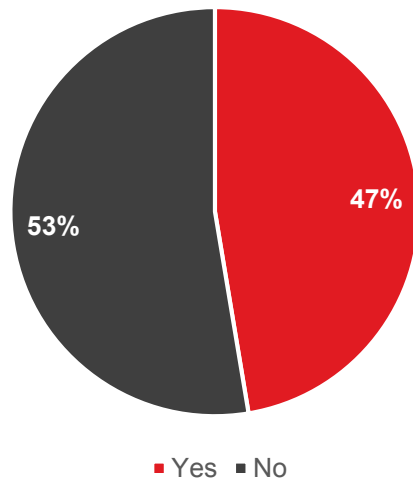


- 52% of survey respondents advised their organisation capped superannuation at the maximum super contribution base for the 2020/21 income year,
- 21% of organisations do not currently cap superannuation contributions,
- 18% of organisations cap superannuation at the concessional contribution limit (AUD 25,000), and,
- Only 10% cap based upon the employee's request.

By Industry

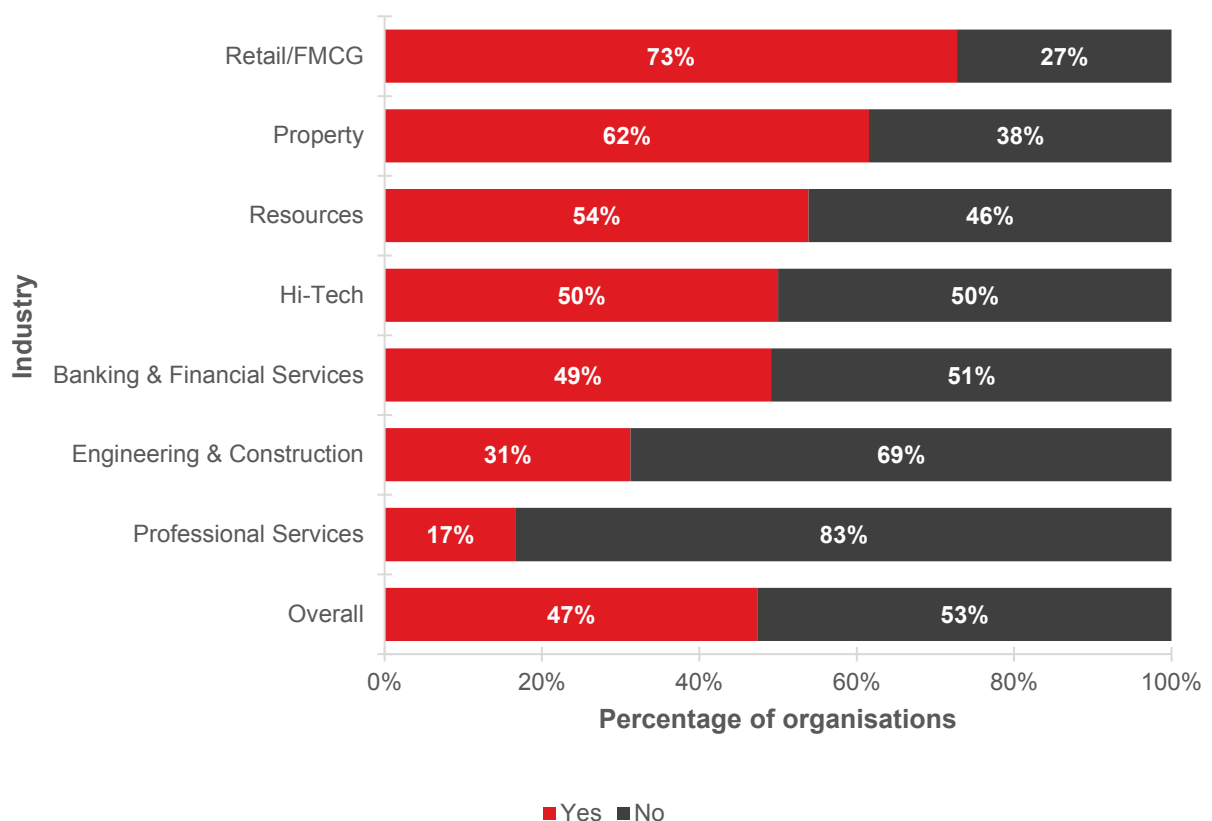


Are employees given the option to receive superannuation payments above the maximum contribution base in cash? (i.e., payments above the Maximum Superannuation Guarantee amount, \$21,694.2 or 9.5% of \$57,090 per quarter, are paid in cash opposed to superannuation)

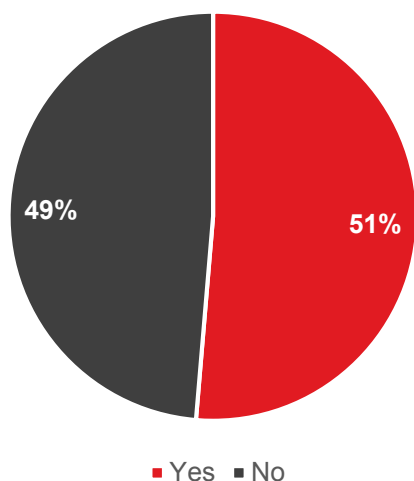


Just under half of participating organisations give employees the option to receive superannuation payments above the cap in cash (47%).

By Industry

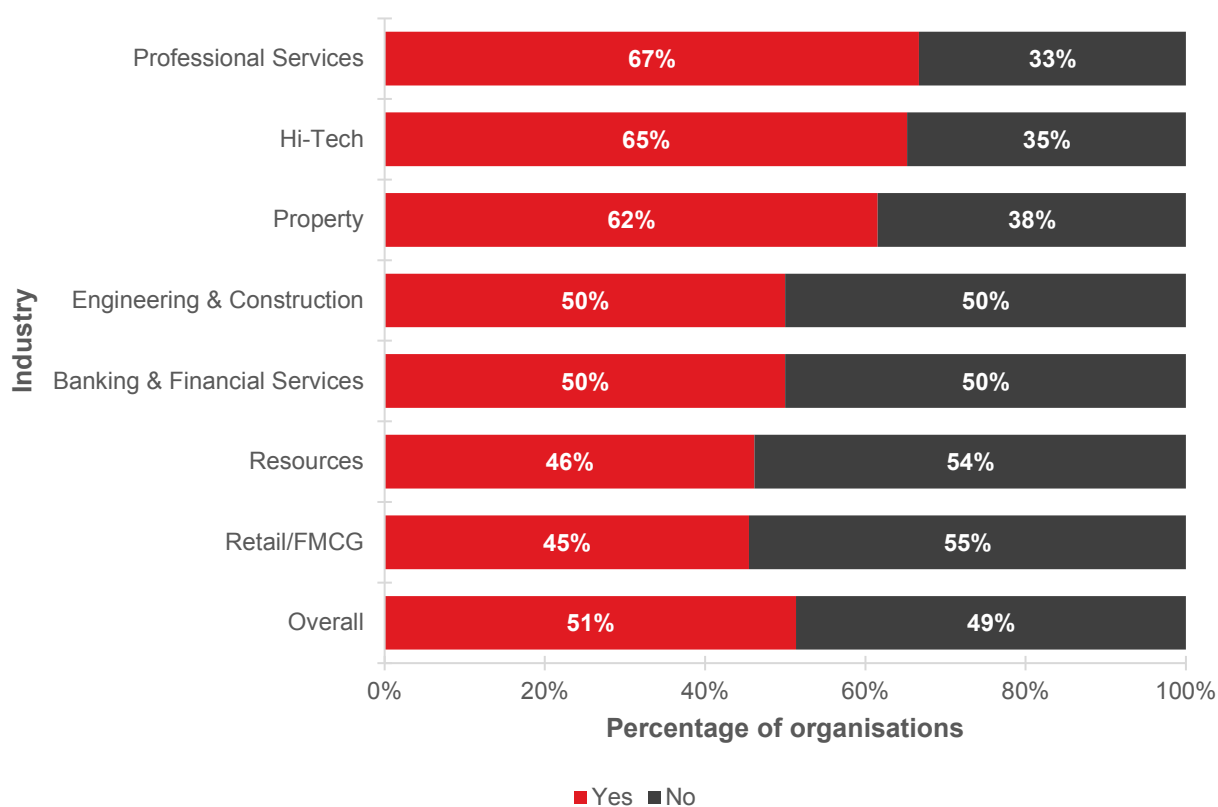


Does your organisation proactively engage/warn employees when they are at risk of exceeding the concessional contribution limit?

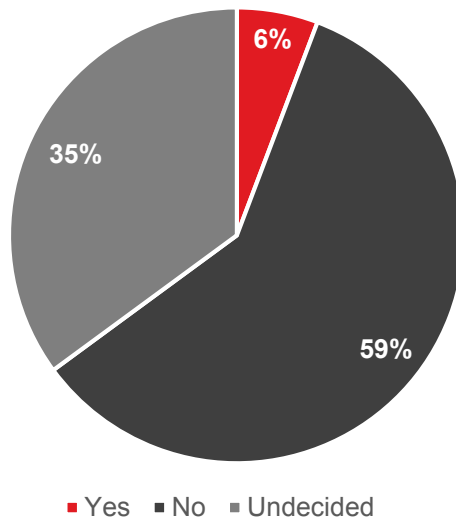


Just over half of participating organisations proactively engage or warn employees when they are at risk of exceeding the concessional contribution limit (51%).

By Industry



Are you considering changing your current remuneration approach due to the 2021/2022 Super Guarantee increase?



The majority of participating organisations are not considering changing their current remuneration approach due to the anticipated 2021/2022 Super Guarantee increase (59%). 35% of organisations are still undecided over whether to implement any changes, while 6% are considering implementing changes as a result of the Super Guarantee increase.

These numbers have decreased from 2012⁸, where 81% of organisations were not considering changes to their remuneration approach

By Remuneration Package Approach

	Remuneration Package Approach	Base Plus Approach	Both Approaches
Yes	5%	5%	10%
No	58%	66%	45%
Undecided	37%	29%	45%

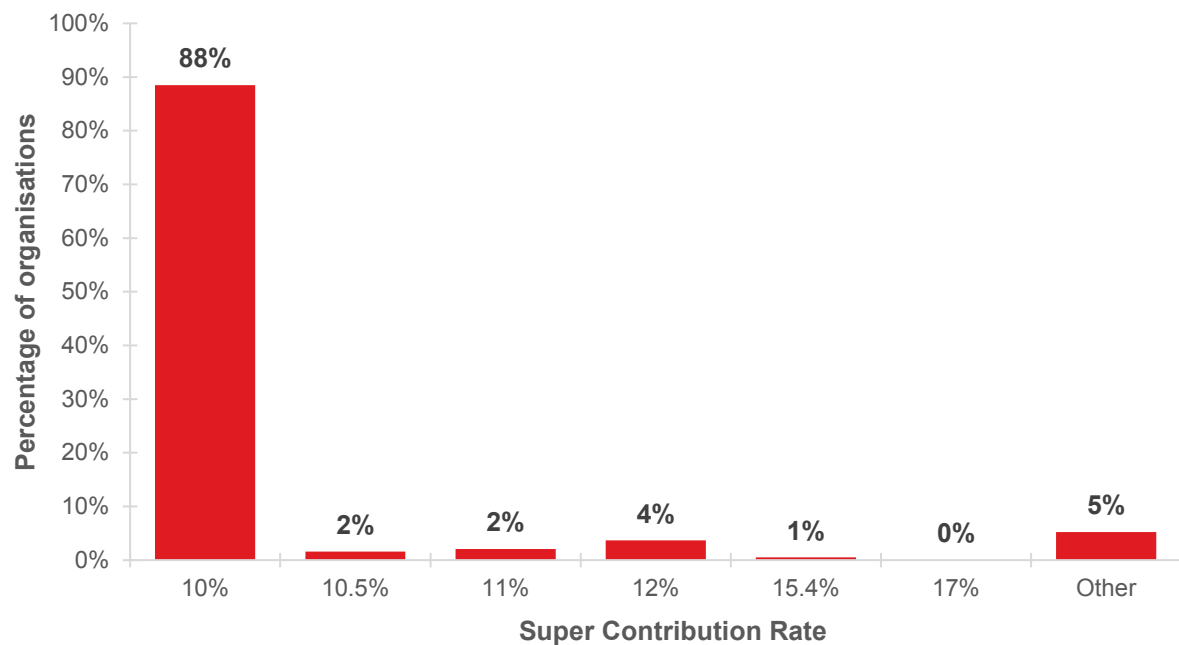
Considerations to changing remuneration approach does not appear to be heavily influenced by one type of packaging as organisations with either a Remuneration Package Approach or Base Plus Approach have equally (5%) indicated considerations to change. However, organisations currently operating both are twice as likely to consider a change (10%)

Interestingly, more organisations are unsure about their current approach to remuneration packaging within the Remuneration Package Approach (37%) compared to the Base Plus Approach (29%), but again organisations currently operating both are more likely to be unsure (45%).

⁸ Aon Superannuation Pulse Survey (2012)

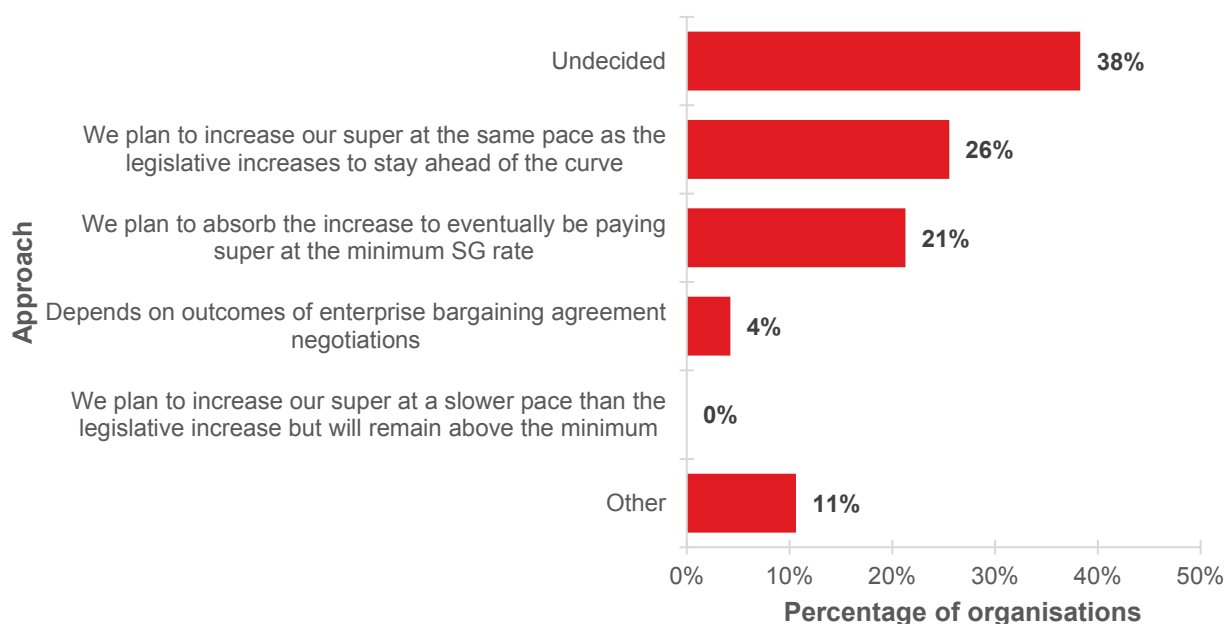
Proposed Superannuation Approach

What is your planned employer super contribution rate post the proposed 1 July 2021 increase?



The majority of participating organisations are planning to contribute superannuation at the new legislated minimum superannuation guarantee of 10% as a result of the proposed 1 July 2021 increase (88%).

For organisations already offering superannuation above the legislated minimum, what is your intended approach to the super guarantee increase?



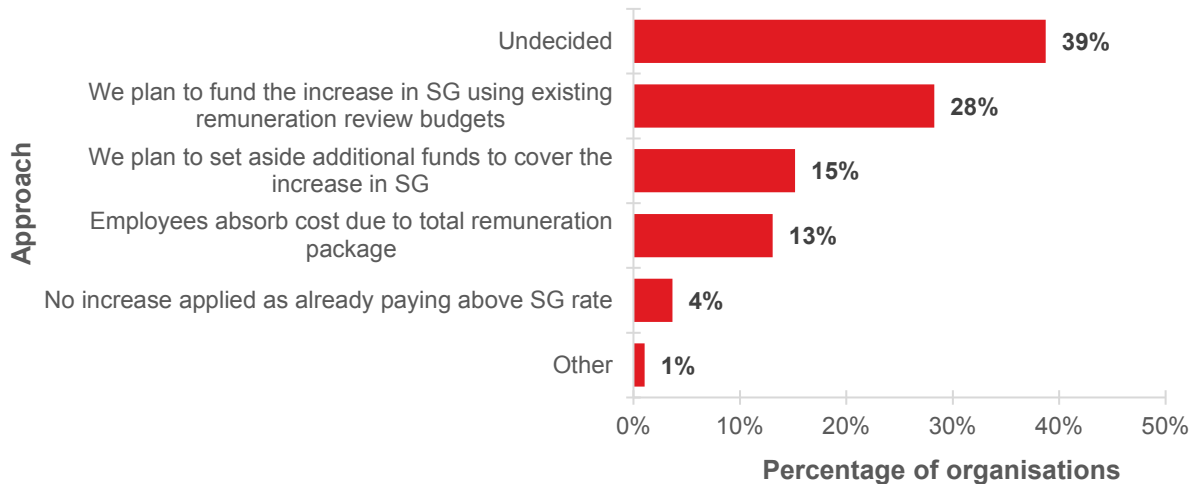
Despite the planned superannuation guarantee increase proposed to occur within the next 12 months, majority of organisations who already offer superannuation above the legislated minimum are undecided over their intended approach to the SG increase (38%). Where there isn't uncertainty, 26% of organisations are planning to increase their superannuation guarantee rate at the same pace as the legislative increases to stay ahead of the market, closely followed by 21% of organisations planning to absorb the increase to eventually be paying super at the minimum SG rate.

In contrast, the majority of respondents to the 2012⁹ and 2014¹⁰ superannuation surveys planned to absorb the increases to eventually be paying super at the minimum SG rate (32% and 56% respectively). The marked decrease in the number of organisations planning to absorb the increase to eventually be paying super at the minimum SG rate may highlight an increased emphasis on financial wellbeing within organisations' total reward strategies.

⁹ Aon Superannuation Pulse Survey (2012)

¹⁰ Aon Policy & Practices Survey Australia (2014)

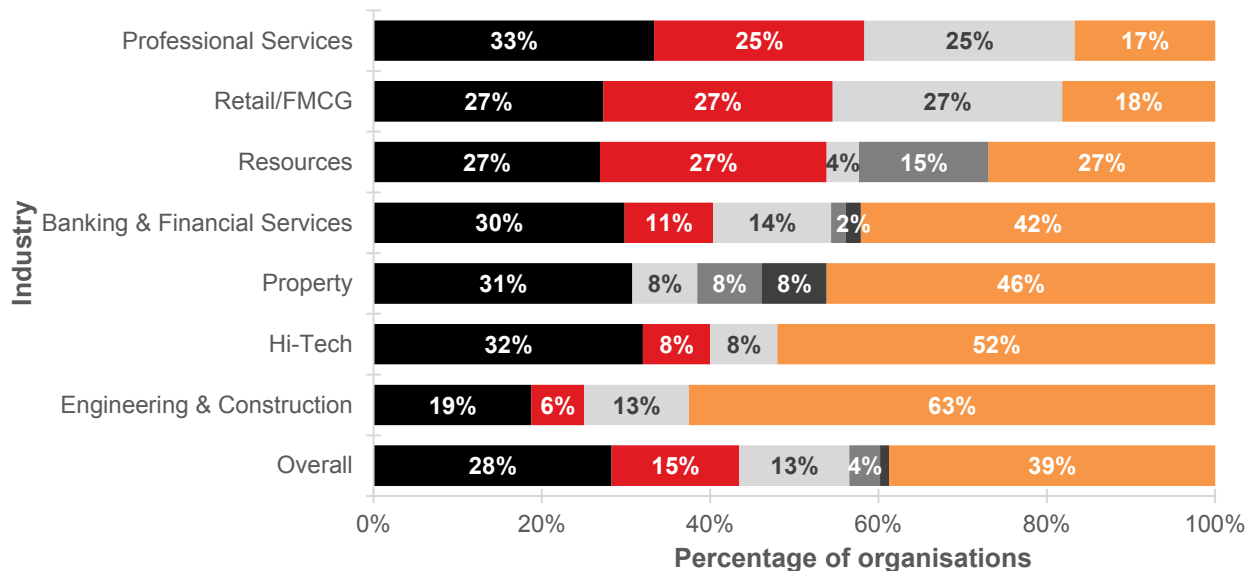
How are you planning on funding the increases to superannuation in 2021?



The majority of organisations are undecided about how they plan to fund the increase to superannuation in 2021 (39%).

- 28% of organisations plan to fund the increase in SG using existing remuneration review budgets,
- 15% of organisations plan to set aside additional funds to cover the increase in SG,
- While 13% plan on employees absorbing the cost in their total remuneration package.

By Industry



- We plan to set aside additional funds to cover the increase in SG
- We plan to fund the increase in SG using existing remuneration review budgets
- Employees absorb cost due to total remuneration package
- No increase applied as already paying above SG rate
- Other
- Undecided

By Remuneration Package Approach

	Remuneration Package Approach	Base Plus Approach	Both Approaches
Employees absorb cost due to total remuneration package	27%	5%	0%
We plan to set aside additional funds to cover the increase in SG	5%	26%	14%
We plan to fund the increase in SG using existing remuneration review budgets	28%	26%	34%
No increase applied as already paying above SG rate	1%	4%	10%
Other	0%	1%	3%
Undecided	38%	39%	38%

Organisations that use a Remuneration Package Approach

- 28% of organisations plan to fund the increase in SG using existing remuneration review budgets,
- 27% of organisations plan on employees absorbing the cost in their total remuneration package,
- While only 5% of organisations plan to set aside additional funds to cover the increase in SG.

Organisations that use a Base Plus Approach

- 26% of organisations plan to fund the increase in SG using existing remuneration review budgets,
- 26% of organisations plan to set aside additional funds to cover the increase in SG,
- While only 5% of organisations plan on employees absorbing the cost in their total remuneration package.

Organisations that use Both Approaches

- 34% of organisations plan to fund the increase in SG using existing remuneration review budgets,
- 14% of organisations plan to set aside additional funds to cover the increase in SG,
- 10% of organisations indicated no increase applied as already paying above the SG rate.

Where there isn't uncertainty, majority of organisations are planning to fund the increase in SG using existing remuneration review budgets regardless of which approach they currently utilise for superannuation and remuneration (28% for Remuneration Package Approach, 26% for Base Plus Approach and 34% for Both Approaches).

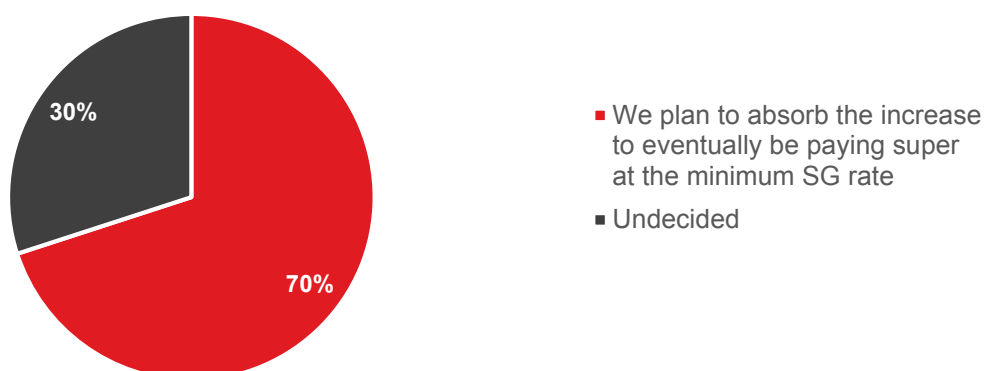
It is more common for organisations that use a Remuneration Package approach to plan for employees absorbing the cost in their total remuneration package (27%) compared to organisations that use a Base Plus approach (5%). Similarly, it is more common for organisations that use a Base Plus approach to set aside additional funds to cover the increase in SG (26%) compared to organisations that use a Remuneration Package approach (5%).

This is also reflected in the 2012 superannuation survey, where those using a Base Plus approach are more likely to set aside additional funds (40%) or fund the increase using existing remuneration

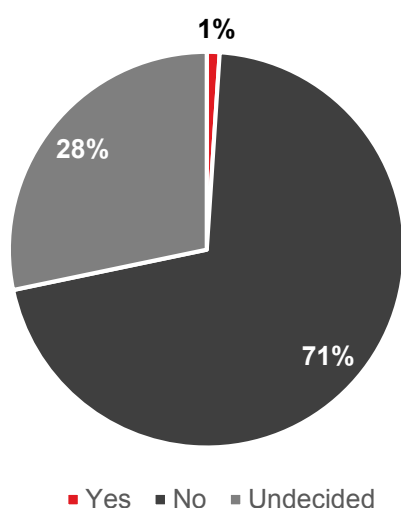
review budgets (39%)¹¹. Organisations using a Remuneration Package approach indicated they planned to fund the increase using existing remuneration review budgets (45%) or planned on employees absorbing the cost (17%)¹².

Intention to stay ahead of SG rate

Only 5% of organisations currently offer superannuation at the proposed 10% rate. The majority of these firms (70%) intended to absorb the increase and give-up their market-leading position, the remaining (30%) of organisations are undecided on what actions to take.



If the legislated, 1 July 2021, SG rate does not increase as planned, do you still intend on adjusting your contribution rate?



71% of organisations do not intend on adjusting their SG rate if the legislated increase to 10% does not proceed as planned.

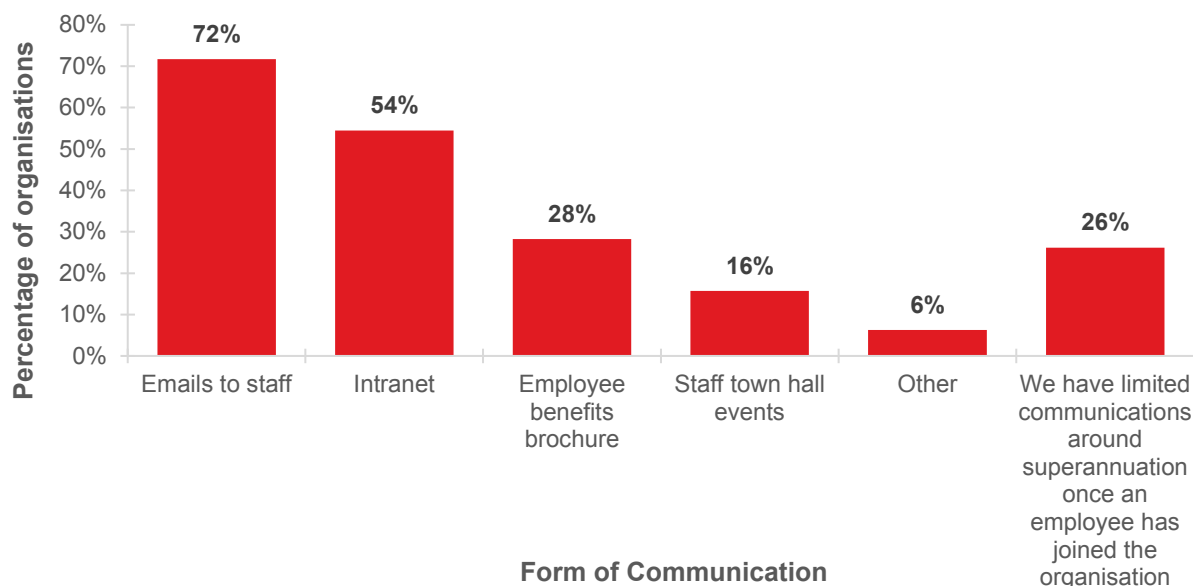
A very small number of organisations still intend to adjust their SG rate (1%) while the rest are undecided (28%).

¹¹ Aon Superannuation Pulse Survey (2012)

¹² Aon Superannuation Pulse Survey (2012)

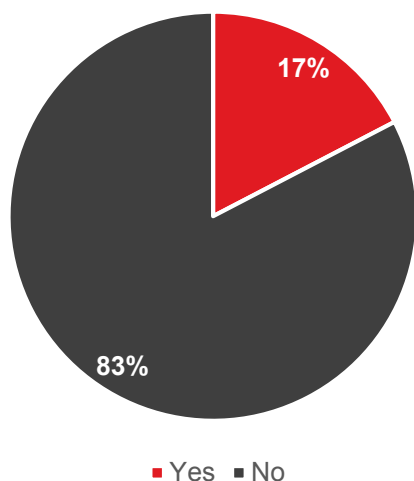
Communication

How do you currently communicate with staff around superannuation, including any additional contributions made?



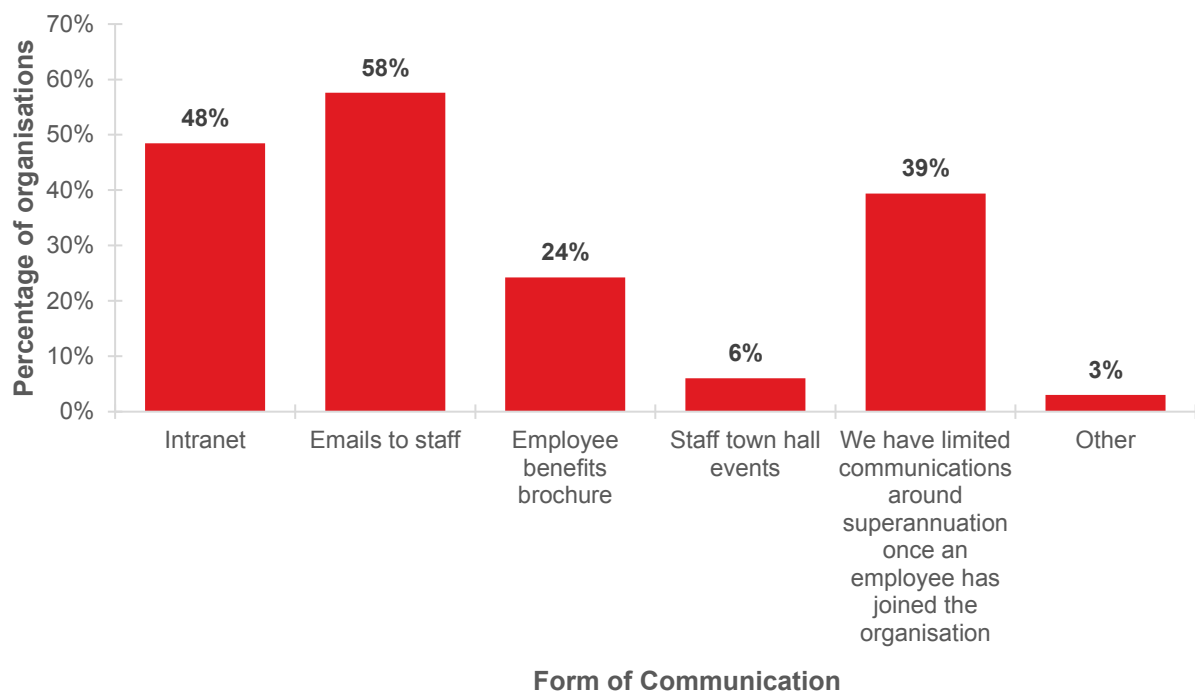
The most common avenue of communication with staff around superannuation is through email (72%), followed closely by organisations' intranet (54%). Conversely, only 28% of organisations communicate with staff through employee benefits brochures, 26% have limited communications around superannuation and 16% communicate through staff town hall events.

Have you considered changing your approach to informing staff of the changes to SG & your remuneration structure?



The majority of organisations are not considering changing their approach to informing staff of the changes to SG or remuneration structures (83%).

Of those organisations looking to change how they currently inform staff of the changes to SG & remuneration the majority are currently utilising emails to staff (58%), and Intranet (48%).



Superannuation - Parental Leave

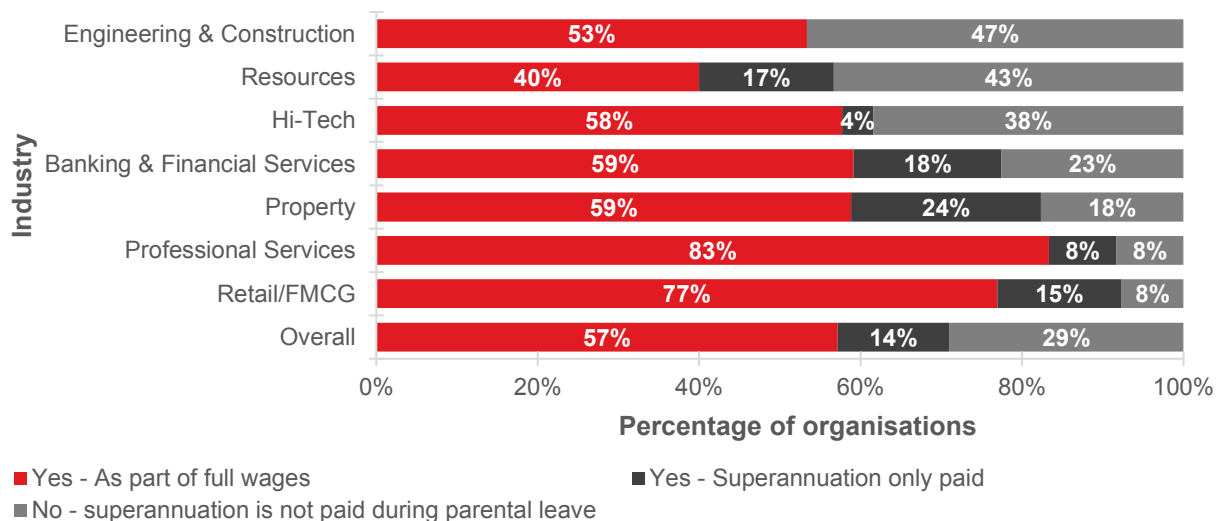
Primary Carer

Does your organisation continue to pay Superannuation payments during parental leave?

Superannuation on primary carer parental leave is:	% of organisations
Paid as part of full wages	65%
Paid as Superannuation only	16%
Not paid	32%

The majority of participating organisations continue to pay superannuation payments during parental leave for a primary carer as part of full wages (65%). 16% of organisations continue to pay parental leave as superannuation only, while 32% do not pay during parental leave.

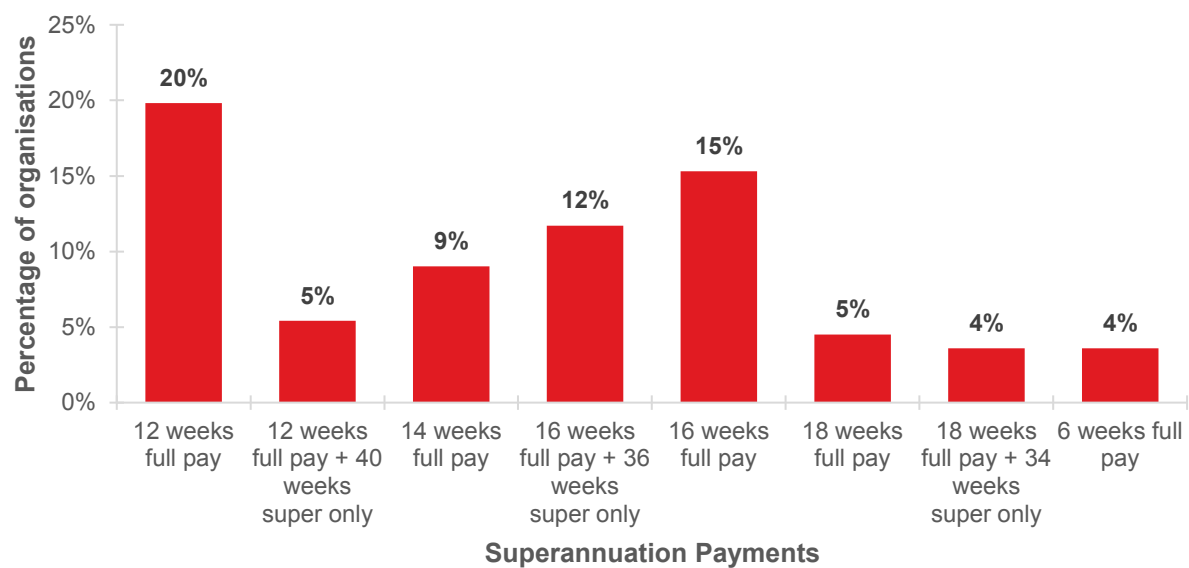
By Industry



How many weeks do you continue Superannuation payments during parental leave?

How many weeks do you continue Superannuation payments during parental leave for primary carers?	# of weeks		
	Full Wages	Superannuation Only	Total
Average	14.6	34.2	27.5
25 th Percentile	12.0	34.0	12.0
Median	14.0	36.0	16.0
75 th Percentile	16.0	38.0	52.0

The median number of weeks organisations continue to pay superannuation during parental leave for primary carers is 14 weeks as part of full wages and 36 weeks as superannuation only.



The most common number of weeks superannuation was paid by organisations is 12 weeks full pay (20%), followed by 16 weeks full pay (15%), and 16 weeks full pay + 36 weeks of superannuation payments only (12%).

The number of weeks superannuation is paid during parental leave ranged from 2 weeks full pay to 52 weeks full pay.

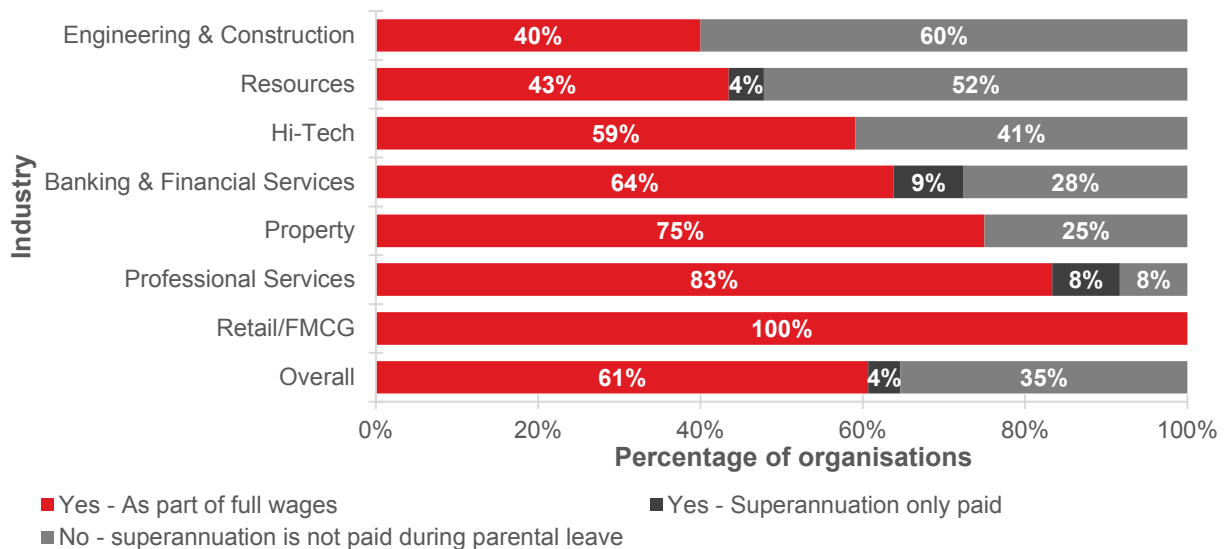
Secondary Carer

Does your organisation continue to pay Superannuation payments during parental leave?

Superannuation on secondary carer parental leave is:	% of organisations
Paid as part of full wages	57%
Paid as Superannuation only	4%
Not paid	32%

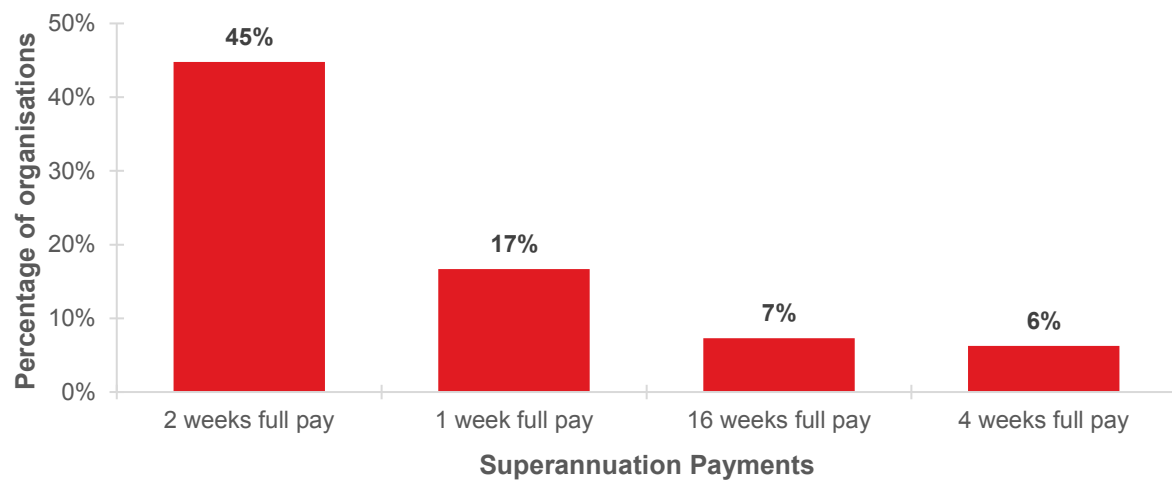
The majority of participating organisations continue to pay superannuation payments during parental leave for a secondary carer as part of full wages (57%). Only a small portion of organisations continue to pay parental leave as superannuation only (4%), while 32% do not pay during parental leave.

By Industry



How many weeks do you continue Superannuation payments during parental leave for secondary carers?	# of weeks		
	Full Wages	Superannuation Only	Total
Average	4.5	23.6	8.0
25 th Percentile	2.0	4.3	2.0
Median	2.0	26.0	2.0
75 th Percentile	4.0	39.5	6.0

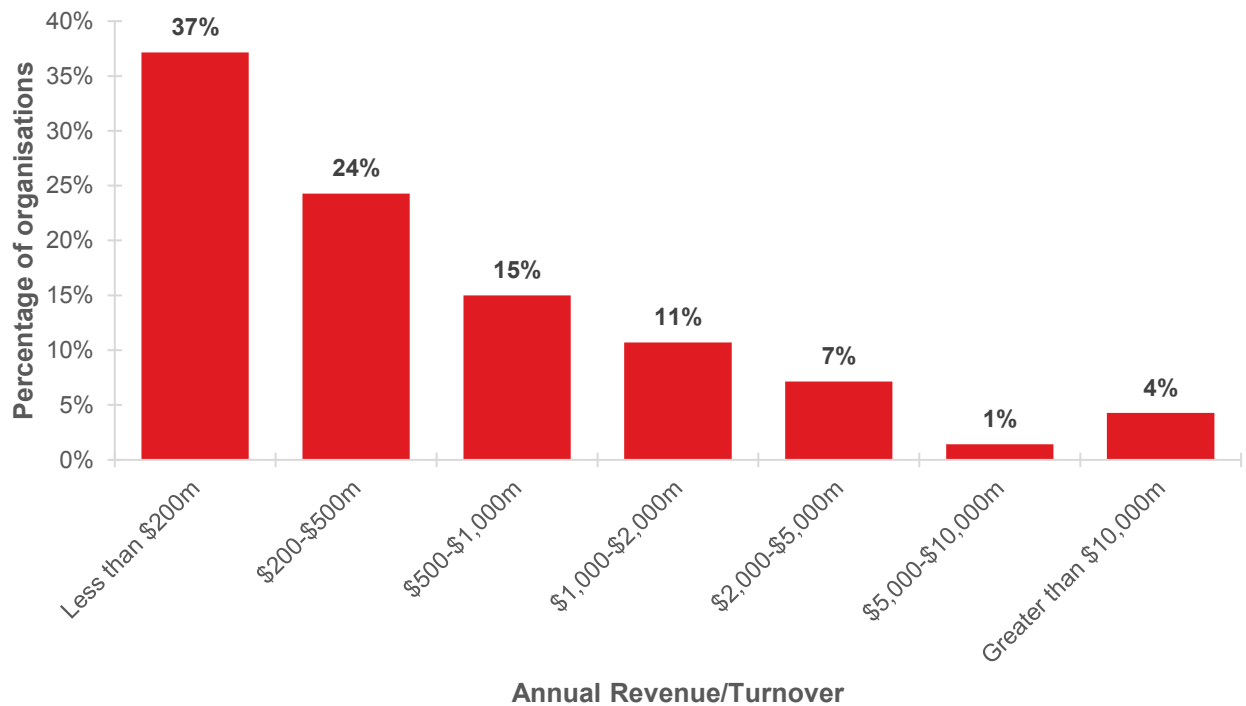
The median number of weeks organisations continue to pay superannuation during parental leave for secondary carers is 2 weeks as part of full wages and 26 weeks as superannuation only.



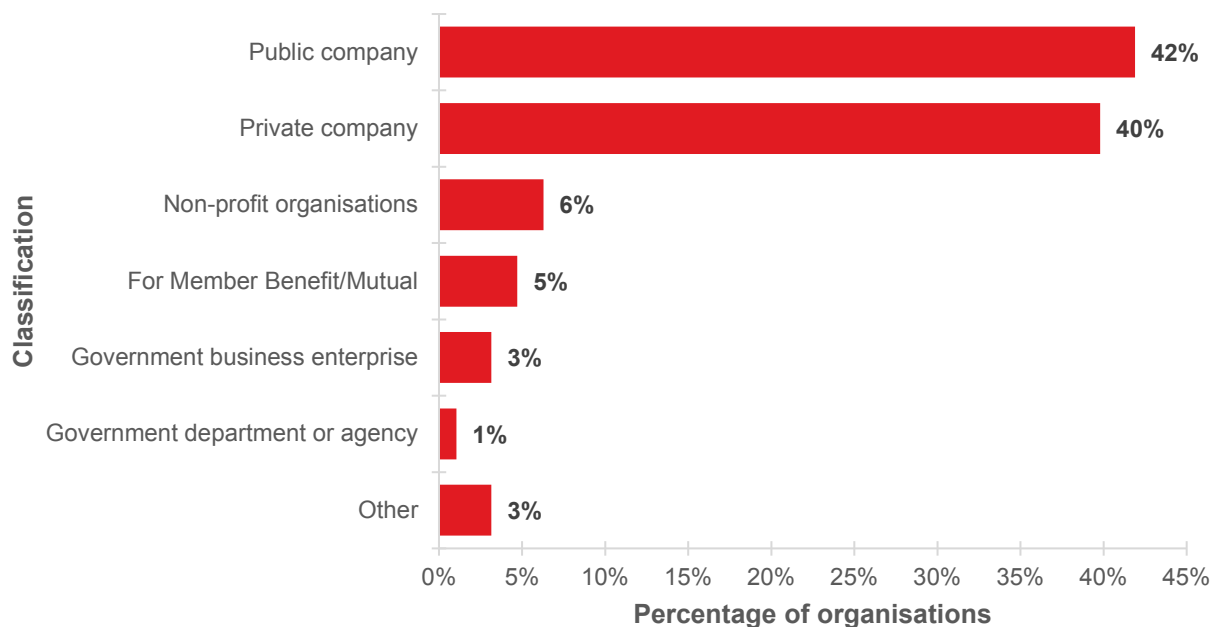
The most common duration of superannuation paid for secondary carers was 2 weeks full pay (45%).

Participant Demographics

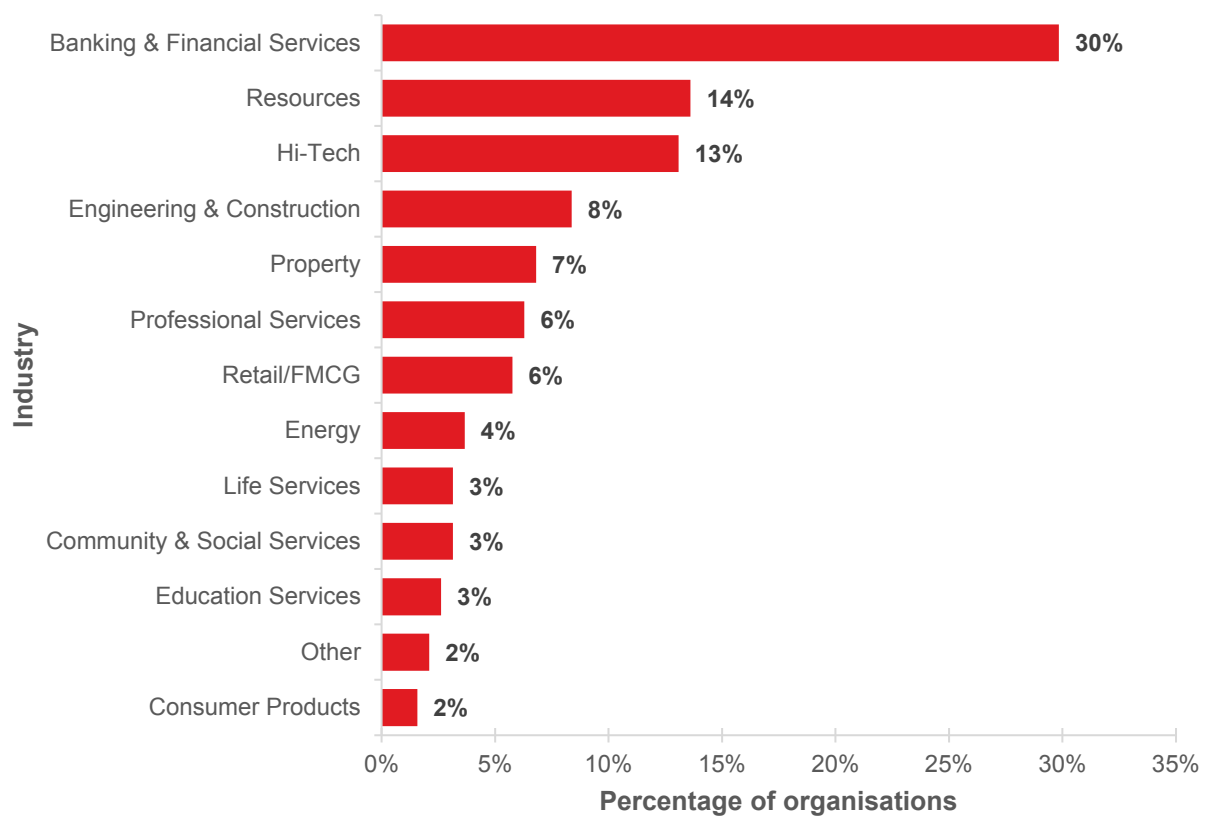
Revenue (Australian entity only)



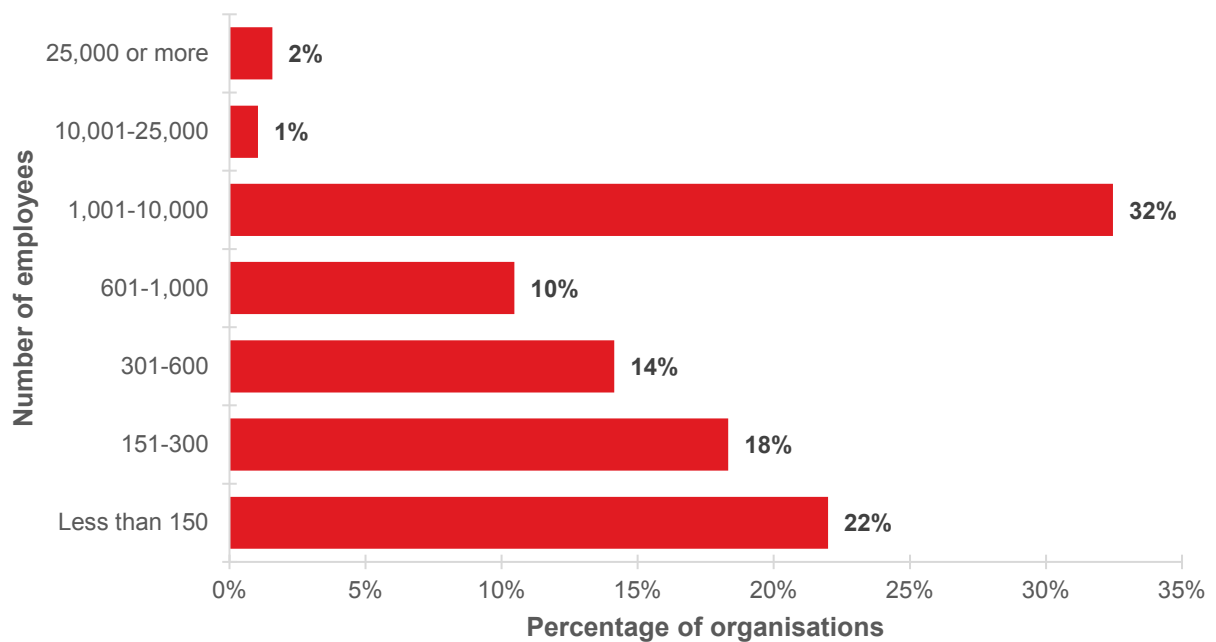
Organisation Classification



Industry



Headcount (Australian entity only)



Participant information

The 2020 Superannuation Guarantee Survey is based on responses from 191 organisations:

- | | |
|---------------------------------------|---|
| 1. .au Domain Administration | 36. Charter Hall |
| 2. AC3 | 37. Citi |
| 3. Acadian Asset Management | 38. Civmec Construction & Engineering |
| 4. Aci Worldwide Pacific | 39. ClearView |
| 5. AECOM | 40. Clough Projects |
| 6. AGL Energy | 41. CMOC-Northparkes Mines |
| 7. AHL Investments | 42. Cognizant Technology Solutions |
| 8. Amec Foster Wheeler | 43. Coopers Brewery |
| 9. AMPOL | 44. Corrs Chambers Westgarth |
| 10. APA Group | 45. Credit Suisse |
| 11. Aquila Resources | 46. Darlot Mining Company |
| 12. ARAM Australia | 47. Dassault Systemes |
| 13. ASX | 48. Dentsu Aegis Network |
| 14. ATC Williams | 49. Development Victoria |
| 15. Aurelia Metals | 50. Dexus |
| 16. AusNet Services | 51. DFC |
| 17. Auto & General Holdings | 52. Dimensional Fund Advisors |
| 18. Avant Mutual | 53. Docusign |
| 19. Aware | 54. Domain |
| 20. Axicom | 55. DXC Technology |
| 21. Bain | 56. eBay |
| 22. BaptistCare NSW & ACT | 57. Eclipse Trading |
| 23. Barings | 58. Epson Australia |
| 24. Bega Cheese | 59. EY |
| 25. Blackmores | 60. FICO |
| 26. BPAY Group | 61. FIELD Engineers |
| 27. Bunnings Group | 62. FIL Investment Management (Australia) |
| 28. Bupa | 63. Forcepoint S.C |
| 29. Burbank | 64. FSAC ta St John's Anglican College |
| 30. Business Australia | 65. Fujitsu Australia |
| 31. Canberra Data Centres Proprietary | 66. Gallagher |
| 32. Carsales | 67. General Reinsurance Australia |
| 33. Caterpillar of Australia | 68. GenesisCare |
| 34. Catholic Church Insurance | 69. Genworth |
| 35. Cerebral Palsy Alliance | 70. Glencore Australia Holdings |

- | | |
|---|---|
| 71. Glencore Queensland Metals | 109. MMG |
| 72. Gold Road Resources | 110. MNF Group |
| 73. GUD Holdings | 111. Moelis Australia |
| 74. Haitong International Securities
(Australia) | 112. Mondelez Australia |
| 75. Henley | 113. Morgan Stanley |
| 76. Hollard | 114. MPowerMSL |
| 77. HSBC Bank Australia | 115. MUFG Bank |
| 78. IBM Australia | 116. Mylan |
| 79. ICU Medical | 117. National Roads and Motorists'
Association |
| 80. IDP Education | 118. Nestle Australia |
| 81. IFM Investors | 119. New Hope Group |
| 82. ING Australia | 120. New Horizons Enterprises |
| 83. Investa Office Management | 121. Newcrest Mining |
| 84. IQumulate | 122. Newmont Mining Services |
| 85. IR | 123. Northern Star Resources |
| 86. ISPT | 124. Northrop Consulting Engineers |
| 87. Jones Lang LaSalle | 125. NSW LRS |
| 88. JRB Services | 126. Nufarm |
| 89. Karara Mining | 127. OceanaGold |
| 90. KBR | 128. OFX |
| 91. Kestrel Coal Resources | 129. Optiver |
| 92. Landcom | 130. PepsiCo ANZ |
| 93. Latitude Financial Services | 131. Pitt&sherry Operations |
| 94. LifeHealthcare Services | 132. Police Health |
| 95. Link Group | 133. Principal Global Investors |
| 96. Macarthur Disability Services | 134. Putnam Investments |
| 97. Macquarie Group | 135. QBE Insurance |
| 98. Maitland City Council | 136. QIC |
| 99. Mars Australia | 137. QSuper |
| 100. Marsh | 138. Queensland Treasury Corporation |
| 101. McGrathNicol | 139. Reserve Bank of Australia |
| 102. McMillan Shakespeare | 140. ResMed |
| 103. Meat & Livestock Australia | 141. Resolution Life Australasia |
| 104. Medallia | 142. RGA Australian Holdings |
| 105. Medibank | 143. Ricoh Australia |
| 106. Metcash | 144. Rio Tinto |
| 107. Mineral Resources | 145. RMIT Online |
| 108. MLC Life Insurance | 146. Roche Diagnostics Australia |

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|--|------------------------------|
| 147. Roy Hill | 185. Whites Group |
| 148. Royal Wolf Trading Australia | 186. Woden Community Service |
| 149. rt health | 187. Woolworths Group |
| 150. S.W.I.F.T. | 188. WPP AUNZ |
| 151. Savills | 189. Xero |
| 152. SCA | 190. Xylem Water Solutions |
| 153. Schroder investment Management
Australia | 191. Yancoal Australia |
| 154. Sedgman | |
| 155. SEEK | |
| 156. Silverlake Resources | |
| 157. SLR Consulting | |
| 158. SMEC | |
| 159. Snowy Hydro | |
| 160. Sony | |
| 161. St Barbara | |
| 162. Subsea 7 Australia Contracting | |
| 163. Summerland | |
| 164. SunRice | |
| 165. Sunsuper | |
| 166. TAL Services | |
| 167. Talison Lithium | |
| 168. Teach for Australia | |
| 169. TechnologyOne | |
| 170. Teck Resources | |
| 171. The Burdekin Association Inc | |
| 172. Thyssenkrupp Industrial Solutions | |
| 173. Together Trustees | |
| 174. Transdev Australasia | |
| 175. Transurban | |
| 176. UBS | |
| 177. UGL | |
| 178. UniQuest | |
| 179. Vicinity Centres | |
| 180. Vocus | |
| 181. Wave International | |
| 182. Western Areas | |
| 183. Western Asset Management Company | |
| 184. Whitehaven Coal | |

Appendix: Definitions of terms used in this report

% rec.	The percentage of participating organisations which offer each component.
25th percentile:	Point below which 25% of participating organisations offer a particular benefit. Data points falling below the 25 th percentile is said to be in the first or bottom quartile (Q1).
Median (50th percentile):	Point below which 50% of organisations offer a particular benefit. Data points falling between the 25 th percentile and the market median is said to be in the second quartile (Q2).
75th percentile:	Point below which 75% of participating organisations offer a particular benefit. Data points falling between the market median and the 75 th percentile is said to be in the third quartile (Q3). Data points falling above the 75 th percentile is said to be in the fourth or top quartile (Q4).

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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