



Media release

25 March 2008

Plum's *Escalator Program* continues to deliver

Programs based on soft compulsion* concepts can be a real boon for members if they are combined with member education and implemented properly, according to Plum's Regional Manager Graeme Humphrys.

Speaking at the Conference of Major Superannuation Funds (CMSF) last week in Brisbane, Mr Humphrys talked about the success of Plum's *Escalator Program* and the positive feedback from both Plum's members and corporate clients.

'Plum's *Escalator Program* (see *Escalator Program* quick facts below) was first launched in 2006 and was the first of its kind in Australia. Since then we have implemented a number of variations of the program to our corporate clients,' Mr Humphrys said.

'What makes our program so successful with both members and our corporate clients is its flexibility and extensive education program.'

The *Escalator Program* can be modified to meet individual corporate client needs. It can be offered on both an 'opt in' or 'opt out' basis, or a combination of these. Before it is implemented Plum conducts an extensive education program ensuring all members are aware of the program and how it works.

In addition, if a member changes their mind about participating once they are enrolled in the program, they can always subsequently 'opt out' of it.

'We introduced *Escalator* as we recognised that according to the majority of industry data available, most Australians do not have adequate super savings to meet their retirement needs,' Mr Humphrys said.

'The aim of this program is to help our members have an adequate income in retirement. This includes educating them so they are in a better position to make decisions regarding their own situation and investments.

'The key to our *Escalator Program* is that it also helps that segment of the population who are unlikely to take action to save for themselves¹.

'At Plum, we would like to see other super providers follow suit and offer such a program to their clients where possible. Industry bodies like the Association of Superannuation Funds of Australia (ASFA)² are also calling on the government to make offering such schemes compulsory for all employers. According to the 2007 IUS / SuperReview survey³, many Australians think that soft compulsion is a good idea.⁴

- more -

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The results from some of Plum's corporate clients implementing the program have also exceeded expectations.

Our first client to implement the program on an 'opt out' basis, Hastings Deering, said they were very pleased with the program, which saw around 63% of members offered *Escalator*, contributing more,' Mr Humphrys said.

'That figure demonstrates our education program is also working as 37% of members made an active decision to not enrol in the program. That is exactly the response we are after as ultimately we want people to be making a decision that is right for their particular circumstances.'

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*Soft compulsion refers to programs where members are automatically enrolled unless they take active steps to remove themselves from the program.

¹ According to Behavioural Finance concepts around 40% of the population are unlikely to take action to save more, even when they know they should.

² ASFA, *ASFA pre-budget: let's lift private savings*, [http://www.superannuation.asn.au/default.aspx?ArticleID=1086] 24 January 2008

³ Super Review *Industry Demanding Change*, June 2007, p 24.

⁴ The survey indicated that 84% of respondents thought 'soft compulsion' was a good idea (ie 'opt-out').

Further information:

For more information on Plum, Mr Humphrys' presentation, photos or an interview with Graeme Humphrys or Peter Talacko (Product and Strategy Manager) please contact:

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About Plum

Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356, a wholly owned subsidiary of MLC Limited, provides integrated superannuation solutions for medium to large Australian corporations. Purpose-built for the era of member investment choice, Plum's philosophy is about providing members with a meaningful education experience to help build their knowledge and understanding of superannuation so that they are empowered to manage their financial future. One of Australia's fastest growing corporate superannuation providers, Plum now administers approximately \$9 billion of committed assets for 82 clients and approximately 132,000 members. More information about Plum is available at www.plum.com.au.

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Escalator Program quick facts

- The *Escalator Program* is based on a proven initiative called SmarT (Save More for Tomorrow) designed in the US by behavioural finance researchers Professor Shlomo Benartzi from UCLA and Professor Richard Thaler from the University of Chicago. The Program is also offered by Vanguard in the US and is called 'One Step Save'.
- Employers can choose an 'opt in' arrangement – where employees must request to sign up to the program, or an 'opt out' arrangement, where all employees are automatically signed up to *Escalator* but can withdraw or 'opt out' from the Program.
- Under both arrangements, Plum works with employers to develop the Program's details such as the date contributions will be increased each year, the most appropriate communication strategy and how the payroll data will be updated.
- Employee contributions are usually increased annually in-line with each employer's remuneration review.
- Employees can choose to increase their contributions in increments of 1%, 2% or 3% of salary each year.
- Contribution increases will continue until they reach 15% of the employees' wage, including the Super Guarantee. That means depending on the employer contribution levels an employee will only ever contribute an additional 6% under the Program.
- If an employer offers the 'opt out' facility, Plum will work with the employer to design a communications program that provides regular contact with all employees. This would ensure that the range of communication mediums is able to reach all employees and that members are in no doubt that participation in the Program is not mandatory and they can cancel their participation at any time.
- Results from our corporate clients vary according to the type and structure of the program implemented.
 - Overall, our first client to implement a variation on *Escalator* on an 'opt out' basis (using soft compulsion concepts), Hastings Deering, had a 63% take-up rate from members offered *Escalator*.
 - Our first client to implement *Escalator* on an 'opt in' basis, Inghams, had a 17% take-up rate and an additional 47% of members targeted increased their contributions.
 - US trials have shown an 'opt out' arrangement are typically more successful in encouraging increased contributions through overcoming the inertia of the employees.

Further information about behavioural finance

Further information about behavioural finance and the principles upon which The Escalator Program is based, can be accessed from Professor Shlomo Benartzi's page on the UCLA website. This provides access to a number of papers published by Professor Benartzi. The address is www.anderson.ucla.edu/x5515.xml

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