

Council For The National Interest

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Hon Kelly O'Dwyer MP
Minister for Revenue and Financial Services
PO Box 6022, House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister O'Dwyer

Superannuation in the National Interest

The Sixth Report of the Senate Committee on Superannuation, released 17 June 1993, was highly critical of the excessive commissions and charges which eat into workers' contributions.

Compulsory Superannuation had been introduced. CNI took the view that as Government had compelled employers and employees to contribute to the employees' superannuation with the objective of reducing the future demand on age pensions, it follows that the Government has a responsibility to ensure that these funds are secure and the employees actually receive all of their contributions plus a reasonable return, on the funds, upon their retirement.

Accordingly, CNI developed the concept of 'superannuation in the national interest'. The concept was to establish a National Retirement and Savings Fund (the Fund) much along the lines of the Singapore Government's Provident Fund which has been a major factor in building Singapore's admirable foreign exchange balance.

In the first instance the compulsory contributions would be directed to the Fund to be held in trust. The Fund would be separate from Government but guaranteed by Government. The returns would be based on an interest rate, compounded, of say 2% per annum above the rate of inflation plus an annual distribution from the surplus returns from investment of the funds.

The funds would be invested in Australia in ways which would serve the national interest, would reduce the need for foreign investment enhance the foreign exchange balance and would reduce the call on age pensions more assuredly than the free market system. Upon retirement of the contributor, superannuation would be paid in the form of a pension tax free and calculated on an actuarial basis.

Had this Fund been implemented, Australia today would have a fair, uniform and secure superannuation system with guaranteed payments together with a massive fund to invest in the national interest supporting Australian industries, infrastructure and communities and reducing foreign debt. CNI lobbied Federal Governments of both political persuasions to adopt and implement the Fund but to no avail. Twenty five years later, what is the result?

- \$2.6trillion in superannuation funds scattered across a multitude of funds, some good some bad with no guarantee that the funds will be available to members when they retire and no controls on where or in what the funds are invested
- Australia has the World's most expensive superannuation system
- Excessive fees which for some funds are nothing less than gouging
- Unintended multiple accounts, from people changing jobs, eroding members' balances by \$2.6bn per year in unnecessary fees and insurance premiums
- Inappropriate and unnecessary insurance products and premiums
- Directors of Funds without appropriate skills or qualifications
- Directors on the board of trustees for decades
- Directors of some Industry Funds receiving inappropriately high directors' fees
- Union bosses also receiving substantial fees as directors of funds in addition to their Union salaries
- Failure to disclose the remuneration of directors in any detail
- Some excessively large boards (Jobs for the boys!)
- Appointment of expensive external experts to make up for lack of expertise
- Union controlled Industry Funds using members funds for inappropriate purposes
- Entrenched underperforming funds including actual losses of members balances
- Billions of dollars invested offshore rather than in the national interest

Clearly the current system is broken and must be reformed. There will be many 'modifications' suggested in an attempt to achieve this. None of those suggested by the Productivity Commission or by media commentators will guarantee that the members' funds won't be lost along the way.

It is not too late to reform the system by adopting the concept of a National Retirement and Savings Fund. Once the organization and structure are put in place, the starting point would be that all future compulsory superannuation contributions would go directly into the Fund. The next step would be to consolidate all of the Industry funds into the Fund. This would stop all of the inappropriate fees, services and other practices. The progressive, phased consolidation, within the Fund, of other compulsory balances would follow. Over a generation or two, Australia could build a Fund which would be the only superannuation avenue, which would guarantee the security of members' funds, provide a fair return and strengthen the economy in the national interest.

We consider that this concept is deserving of favourable consideration as it provides a permanent solution to the current problems. We will welcome your response, please

Sincerely

Denis J Whitely
Executive Director