

Introduction

AIST is the representative body for trustee directors of not for profit superannuation funds (corporate, industry and public sector), and for the staff of those funds.

AIST is committed to developing and providing policy positions in all areas which impact on the role and duties of its members, and on the interests of their members, participating employers, service providers and sponsoring entities of the funds they manage.

AIST acknowledges the role of other representative superannuation entities, and is committed to working co-operatively with them to secure the optimal outcomes for all worthy participants in the sector. To that end it will on occasion defer the lead role in drafting and presenting policy positions to those with a more immediate or direct involvement in the matter at hand.

In matters of direct impact to its members AIST will always adopt a leading role.

Policy matters in which AIST will adopt a leading role are:

- The capacity of the retirement income system to deliver an adequate retirement income to all Australians, particularly low income earners.
- Taxation of superannuation, and its impact on the capacity of the system to deliver adequate retirement incomes.
- The provision of education on superannuation issues to ensure that members are able to understand their entitlements and the choices available to them.
- Any matter which impacts the capacity of the trustee system to deliver benefits to members of trustee governed funds.
- Discrimination and systemic biases which impinge on the capacity of members to secure their just entitlements.

Policy matters in which AIST will play a support role include:

- The provision of financial advice to members including the question of the payment of commissions, especially on Superannuation Guarantee (SG) contributions.
- Global warming and its impact on the capacity of trustees to deliver benefits to fund members.
- The quality and content of communication to members.

Underlying Principles

1. Universality

AIST supports and works toward a superannuation system that is universal in its coverage of Australians, provides adequate retirement income for all, and is designed to promote equity.

AIST recognises that Australia's superannuation system based on compulsory employer contributions, the Superannuation Guarantee (SG), was intended to cover the entire workforce. While extensive coverage (over 90% of the workforce) has been achieved, some gaps in coverage have emerged.

Workers earning less than \$450 per month from any one employer get no SG.

Those out of the workforce while on paid or unpaid maternity leave (in general) attract no employer or government superannuation contributions over this period.

Indigenous workers in remote communities paid from the Commonwealth's former CDEP scheme received no superannuation, even though the ABS statistics included them as employed.

Persons temporarily unemployed and in receipt of unemployment of sickness benefit attract no employer or government superannuation over these periods.

2. Adequacy

AIST supports, as a national goal, 15% contributions by 2015.

We note adequacy is currently achieved by high income earners who have had additional employer and voluntary contributions. This group is now further advantaged by the 2006/2007 Budget decision to remove taxes from final benefits, a measure of substantial assistance to those with large superannuation accounts and other assets.

AIST believes, however, that the national system of 9% compulsory contributions will fail to deliver an adequate retirement income for most Australians. The principle of equity requires further measures to assist in moving towards adequacy for all.

Our national goal of 15% contributions by 2015 does not imply the mandating of higher employer SG contributions.

This goal could be pursued by a number of measures, starting from 2008, including: negotiated increases in employer contributions, further incentives for member contributions, extension of the government co-contributions scheme, the payment of future tax cuts into member superannuation accounts.

AIST recognises that the challenge of adequacy remains for:

- Low and middle income earners
- Others with fragmented paid work experience
- Most women as a result of lower earnings and greater family responsibilities and
- Those totally excluded, indigenous Australians living in remote communities
- Self employed
- Longevity Risk for Retirement Incomes

Most of these groups, because of their low savings, gained no benefit from the 2006/7 abolition of final benefits tax.

AIST proposes active consideration of the following options to improve adequacy for these groups:

- Extension of the co-contribution cut off point from \$58,000.00 to \$70,000.00 pa (indexed);
- Cuts to 15% contributions tax on a capped basis for lower income earners;
- Abolition of \$450.00 threshold for SG contributions to improve savings of casuals and young workers;
- Provisions of tax deductions to all employees who make voluntary contributions, in line with provisions for self-employed persons, by making it compulsory for all employers to offer salary sacrificing arrangements available to employees;
- Encouraging the achievement of higher employer contributions through collective bargaining;
- For women on maternity leave a government payment in addition to the baby bonus, into the super accounts of all women on maternity leave;
- The payment of future government determined tax cuts directly into super accounts. This measure would spread the benefits of high national economic growth fairly across the workforce without boosting inflation.

3. Representation and Protection of Members' Interests

a) Governance

AIST believes that members are best served by funds with a strong fund governance policy which includes member and employer representation in the running of the fund and succession planning for the board and the CEO.

AIST recognised that the representative trustee system in place for not for profit funds has proved to be the most successful governance structure for members, particularly in terms of growth in retirement savings, safety of savings and low member costs.

Given the historic and growing evidence of higher returns to members of not for profit trustee run funds, AIST supports comprehensive research into the reasons for the superior performance of trustee run not for profit funds.

b) **Advice**

AIST notes systemic and structural problems and inherent conflicts in commission based selling of super advice.

AIST supports advice that is separated from the sale of products and in the best interest of members.

c) **General and Personal Advice**

AIST supports the redefinition of general and personal advice to establish and clarify the difference between education and specific advice and allows funds to provide members with limited personal financial advice in respect of the product offerings of the fund itself.

d) **Disclosure**

In the interest of developing strong disclosure to protect consumers, AIST supports the development of a streamlined and clear superannuation industry standard disclosure document covering contributions, taxation, preservation, portability, early release rules and other regulatory information relevant to the protection of members.

e) **Tax File Number (TFN) requirements and additional Taxation**

AIST, while agreeing with the new requirement that members must supply funds with TFNs to avoid higher taxes on their contributions, supports the decision to transition this requirement so that all members, particularly casuals and itinerant workers, can become aware of it and take the appropriate steps to protect their savings

AIST proposes that where additional tax is imposed on members who fail to provide TFNs, that tax should be deferred until the withdrawal of benefits.

f) **Employer Contributions**

In order to reduce the incidence of unpaid employer contributions, AIST supports a regulatory requirement that employer contributions are paid monthly with a quarterly report to the ATO.

4. General Policy

a) **Discrimination**

AIST urges the removal of all discrimination from the superannuation system particularly in relation to same sex couples.

b) **Financial Education**

Recognising that people without financial knowledge cannot maximise the potential benefits of superannuation and are vulnerable to dishonest practices. AIST supports government measures at all levels to achieve improved financial literacy throughout the community.

c) **Institutional Shareholder Responsibilities**

AIST supports the growing practice of trustee boards exercising proxy and other shareholder rights in pursuit of better corporate governance and improved economic sustainability. To this end, AIST is a Foundation Member of the Australian Council of Superannuation Investors.

5. Research Program 2007-2008

AIST will carry out major research projects to assist in the implementation of our policy platform.

- a) AIST has prepared a proposal for a government payment into the super accounts of all women who go on maternity leave. The proposal has been costed and includes an efficient administration process. A copy is attached.
- b) A project researching the underlying reasons for the value provided by the representative trustee system.
- c) A project researching the distribution of the government co-contribution in order to get a comprehensive picture of who is currently receiving it and the extent to which this current distribution achieves the policy objective of improving adequacy for the low paid.