

KEY POLICY POSITIONS

Support for Australia's three-pillar retirement incomes system

AIST supports a three-pillar retirement incomes system involving compulsory super employer contributions, voluntary contributions and a means-tested Age Pension.

Within this framework, compulsory super provides retirement income for all Australians that, when combined with or in replacement of any public pension, ensures a reasonably comfortable living standard, in the spirit of fairness within and between generations.

Adequacy

The Government should increase the Superannuation Guarantee (SG) to 12% by 1 July 2022, commencing with an increase to 10% from 1 July 2018. The current SG rate will fail to deliver an adequate retirement for most Australians. Under the current timetable, the SG won't reach 12% until 2025.

The gender retirement gap

AIST recognizes the need for new policies to address the super gender gap. We support Women in Super's proposal for eligible low income women to receive an annual super boost of \$1000. We also support paying super on paid parental leave, removing the \$450 monthly income threshold and reintroducing Member Benefit Protection.

Addressing other gaps

AIST recognizes that further steps should be taken to better protect consumers from employer non-payment of super. Responsibility for monitoring unpaid super should be shifted from individuals to the ATO. The problem is estimated to cost Australian workers billions of dollars each year.

There is also a need to work with stakeholders to reduce barriers for Aboriginal and Torres Strait Islander peoples when accessing the super system.

Tax fairness and sustainability

Recent reforms (Budget 2016) to better target super tax concessions do not go far enough to improve the fairness and sustainability of our super system. There remains the need to further examine superannuation tax concessions which remain overly generous at very high income levels.

The relationship between superannuation and the age pension has to be re-evaluated to ensure that middle Australia is not disadvantaged. In particular, the age pension taper rate should be reduced.

Governance/Board composition

AIST supports the representative governance structure. Under this system, members of profit-to-member funds and their employers are provided with equal representation on the boards of trustees.

AIST supports funds with the representative governance structure having the flexibility to appoint up to one third independent directors. AIST acknowledges evidence which demonstrates that a profit-to-member ethos delivers the best outcomes to members.

AIST has produced a Code of Governance that for member funds from 1 July, 2018, along with a framework that supports its use.

Age Pension Eligibility Age

AIST supports an Age Pension eligibility age only increasing to 67 years. We recognize that many older Australians do not get to choose when they retire due a range of factors including ill health, age discrimination and caring responsibilities. We therefore do not support moves to legislate for the Age Pension eligibility to rise to 70 by 2035. Preservation age should also be retained as 60 years

Fees and costs in superannuation

While AIST recognizes the need for fees to reduce in some areas of the super sector, we do not support an arbitrary limit on fees charged. We recognize that it is net returns - not fees - that are of critical importance to the retirement outcomes of Australians workers.

AIST supports transparent, consistent disclosure of fees and costs. All funds, platforms (and, as far as possible, managed investment schemes) should be required to disclose fees and costs on the same basis. AIST supports transparency on the impact of related party costs.

Insurance in superannuation

AIST believes that insurance in superannuation delivers enormous benefits to working Australians, particularly in providing affordable and effective cover to those who might otherwise be left uninsured. AIST supports the newly-released Insurance in Superannuation Voluntary Code of Practice for super trustees.

Default funds

AIST supports an industrial-based legislative framework for the selection of default superannuation funds – including the application of a quality filter and multi-criteria selection process.

Consumer protection

AIST supports transparent and comparable disclosure about fund operations, fees, costs and investment risks that is easily accessible by members. Disclosure and reporting requirements must both workable and fair. The same requirements must apply to MySuper and Choice products.

Super fund performance

AIST believes that net returns are of paramount importance to members' retirement outcomes. We support a focus on long-term returns and how funds meet their investment objectives. AIST believes that performance, fees and costs, and risk should be examined together.

Post-retirement

AIST believes all funds need to have a retirement incomes framework in place but should not be forced to offer a particular product. We recognize that retirement balances for many funds are still quite low and there could also be instances where some funds may prefer not to recommend a particular product or strategy at all because they have assessed it is not in their members' best interests.

Regulation

AIST supports the development and maintenance of effective regulatory oversight of the superannuation sector and we believe it is critical that regulators are adequately resourced to perform their functions effectively. Unnecessary regulatory creep, duplication and overregulation of the superannuation sector must be avoided, especially if inappropriate regulation would have the effect of distracting trustees from delivering retirement outcomes to their members. Regulator activities should enable an assessment of the relative risks of industry sub-sectors to ensure greater efficiency, accountability, and improved member outcomes.