

Wednesday, 14 March 2018

Opening address - AIST CEO Eva Scheerlinck at the 2018 Conference of Major Super Funds, Brisbane.

Good morning everyone and welcome to CMSF 2018.

We are set for another big year in our industry this year. Assets under management continue to grow, markets are volatile and unpredictable, and there is a spotlight on our industry's conduct and expenditure, through the lens of a Royal Commission.

There are also other external forces at play – more reviews and inquiries than you can poke a stick at from regulators and government agencies, and an uncertain legislative framework – all in the lead up to a federal election, where soon no doubt, we will see the political players jockey for position, with new policies for superannuation.

Meanwhile, you must continue to do your jobs. You must maintain the focus on members' best interests - on achieving high net returns over the long term for your members - so that they have the best chance of retiring with dignity. Your job is to provide affordable and timely advice. It is to provide appropriate insurance cover to compensate in times when members are unable to work. And your job is to do these things well, so well that the trust our members have in us is well-founded and sustaining.

Looking after other people's money, their hard-earned retirement savings – over a long period of time – is an enormous responsibility. I know that none of you in this room take this for granted.

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One of AIST's members recently commented to me that there seemed to be no long-term vision for the future of superannuation in Australia - its role in our economy, its place in the financial services sector, and its general importance to the Australian community.

After looking at the fragmented approach of the different commission and parliamentary inquiries, reviews by regulators and haphazard approach to legislation being presented to our parliament – you can see how they might have come to that conclusion

In the beginning of the compulsory super creation story, there was a dream. A dream of a dignity in retirement for all Australian workers. There was a genuine vision that all Australian workers, rich or poor, blue collar or white, male or female would, through their employer, be able to save for retirement. And that collectively that pool of savings could then be invested in smart and efficient ways, better than anyone could do on their own, to maximise returns, so that at the end of a working life, some sort of adequate retirement income would be available to them. This resulted in a shift, largely driven by Australia's union movement, from superannuation available only to those in the public sector, or in white collar jobs, to a universal, compulsory, retirement savings system for every Australian worker.

That vision has almost been realised – for those people that spend their lives in reasonably paid, stable, full-time employment. But not so much for people who come in and out of the workforce, low income earners, and people in unstable employment. It has never served women well and casualisation of the

workforce and the new gig economy – is a new challenge to the vision of universal coverage.

However, we have achieved a system that collectively invests people's retirement savings in ways the founding fathers – and mothers – of our system could never have dreamed.

We clearly still have work to do on realising the dream of the creators of the system. The dream is still as valid today, as it was then. But in the intervening 26 or so years, we have not achieved all of its promise, and we have not dreamt the next big dream. Is this because we're as good as we're going to get as an industry? Surely not. Is it because the constant government tinkering has made us despondent? Surely, we are more resilient than that. Is it because the spirit of the collective has left us? Knowing many of the people in this room as I do, I don't accept that either.

Expectations of furthering the sector's agenda in 2018 might be low as we focus on responding to the Royal Commission, the Productivity Commission, regulator reviews and parliamentary inquiries. It's easy for us all to be side-tracked by the incessant external goings on. But as an industry, and AIST as your industry body, we have some priorities that are more future-focused - member focused even - that can't wait until the noise dies down. Experience, after all tells us that the noise will always be there.

Our future, 5-10 years from now, will not look like today. We know we face constant change, constant disruption in all areas of our lives. And the pace of change won't let up, it's not going to slow down.

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And yet, positive change is not going to happen by itself. WE have to set the agenda for the future – a future we want to see for workers and retirees in this country. This Government, perhaps NO Government, will do that for us. A three-year election cycle and fortnightly polling results means that the policy focus in Canberra is more short-term.

Our compulsory superannuation system, is the envy of the world. Sometimes we forget that. We are growing as an industry and we will continue to grow and prosper. We are a mature, strong industry. Profit to member funds manage \$1.2 Trillion of retirement savings now. Superannuation funds are significant financial institutions, and with that strength, and power, comes responsibility. What is the vision we want to achieve for our super system now? What will give members better outcomes than the system parameters currently allow?

What will set the future apart is the decisions we make together.

The philosophy of the founders of an institution, and in our case, an industry, dictate its values. Some funds in this room have celebrated 50 years or more of serving their members. And for many of you, the history is relatively modern. Compulsory superannuation is 26 or so years old. The founding mothers and fathers of this now - world-renowned retirement savings system, are mostly still with us today. But changes are occurring, and external pressures are diffusing our ability to focus on continual improvement of our system for members.

AIST will continue to fight for the important things. Access for every worker to superannuation. Assurance that superannuation contributions are paid into member accounts by employers. Closing the gender gap that is failing to close - so that women can retire with the same security as men.

I challenge you to lift your heads up above the Business-As-Usual, and the compliance focus that the external forces are dictating to the industry, and see the opportunities that exist to make a better future for people in retirement in this country. Starting with the members you serve.

We can't let external distractions stop us from focusing on what's truly important - Better member outcomes.

What leadership have we shown as a sector? And what more can we do?

We must embrace the spirit of innovation. Member engagement and communication, advice, long-term, sustainable investments and retirement income frameworks all require responsible, 21st century thinking and solutions. We must also address some of the issues that have plagued our industry for some time – and has provided ammunition to our detractors allowing them to try and force changes in our default fund selection process. As an industry we must all act on multiple accounts. And we must do something about multiple insurance cover. Hopefully at this conference we can explore some ideas to get you thinking about the challenges we face, and how we can step up and lead

as an industry - with bold responses - that ultimately help members retire with dignity.

Last year at this conference I spoke of the Edelman trust index. According to the Edelman survey this year, the trend of gradual decline in trust in institutions – business, government, media and NGOs – continues. Now a five-year low. The survey however tells us that people want CEOs to lead, and not wait for governments to drive change. In fact, an incredible 64% of Australian respondents held that view. Transparency is key, the survey says. And by this they don't mean complicated, convoluted reporting and disclosure frameworks, but representation and reflection on stakeholder concerns. For our industry, the key stakeholder is of course the member. And I agree, we cannot wait for Government to act, industry has to lead – through the leaders in this room.

The banks have faced some challenges in recent years. And they have not responded as well as they could have to the serious crisis of trust they have faced. Working people, getting advice on how to save for their retirement are not to blame for banks losing the trust and confidence of the people. The sentiment towards banks, the evidence of failures to look after the customer – these are lessons of which our industry needs to take heed. Complacency and a lack of accountability are things we need to be careful to avoid.

We need to respond to our industry challenges and get on the front foot. In our sector, I believe we have a distinct advantage over the banks and other profit-driven, shareholder-beholden organisations focused on the bottom line.

Our underlying profit-to-member ethos, our focus on putting members first, equal representation of employers and employees on our boards - are what have set us apart these past 26 and more years. I believe that maintaining the successful culture of your funds, and of our profit-to-member sector, is key to our long-term success. It's what we must preserve at all costs to remain transparent, truly accountable, and hopefully, trusted.

It is up to us to create the retirement future that Australian workers deserve. One where the substantive rules remain constant so that people can believe in the system, one that is fair and equitable between men and women, one that provides a retirement income that is adequate and secure - and something to aspire to during a working life. One where every worker is paid their superannuation entitlements, and one where everyone who works, is entitled to superannuation.

I hope you will engage in AIST's many forums during the year to help us create the vision we want to see for our industry and the workers and retirees who deserve the best possible outcomes from the system.

Thank you and I wish you all a great conference.

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AIST is the peak body for the \$1.2 trillion profit-to-member superannuation sector which includes industry, corporate and public sector funds.