

AIST CEO Tom Garcia – Opening Address to CMSF 2016 Adelaide March 16th *(Check against delivery)*

Welcome to the 26th CMSF. I would like to acknowledge the land on which we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country. I pay my respects to their elders both past and present.

I would now like to introduce Frank Wangutya Wanganeen, a Kurna Elder who will perform an official welcome to Country.

Bruce Watson, the former CEO of Mine Wealth and Wellbeing, recently resigned and I had the honour of attending his farewell along with many in the audience today. Bruce is an enormously popular figure and one who embodies what it means to dedicate yourself to improving members' retirement outcomes. For this, he was awarded the "Miner's Lamp" - The Miner's Union highest honour.

In a speech to commemorate Bruce's contribution to the super industry, Grahame Kelly, the Chair of Mine Wealth and Wellbeing, reflected on super's role in the coal industry. I thank Grahame, for allowing me to share this story.

In the Cessnock offices of the CFMEU, there is a wall that bears the names of over eighteen hundred men, boys and now one lady who lost their lives on the district's coalfields.

If you walk along the Jim Comerford Memorial Wall, and read the names in the years just prior to 1941, when Mine Wealth and Wellbeing's predecessor pension fund was established, you will see seven names of men killed at work aged over 70. Men like G Frankham (Bellbird Colliery) and J Wall (Burwood Underground) who died at work at the age of 72.

The legislation and arrangements for the Miners Pension came about from two Royal Commissions in NSW. And it is worth noting that back in the late 1930s, there was no fewer than 1,700 miners over aged over 60 with 179 aged over 70, and the oldest being 89 in NSW.

These Royal Commissions also established coal specific provisions for workers compensation, earlier retirement and an industry pension scheme to provide workers with a retirement income. This has allowed coal miners the opportunity to retire, and enjoy a life beyond work, rather than toil to a devastating end. Instead they can enjoy a quality of life in retirement that their forebears only dreamt of.

This story reaffirmed to me that the purpose of super - at its most fundamental level - is to enable us to stop working. It also about people and improving their lives – and this we must never, ever forget. Right now, one of the big debates concerns the purpose of super.

The purpose of super

I would now like to refer to another industry leader – David Knox. Many of you here know David well. He is a Professor of actuarial studies, a senior partner at Mercer and he will be presenting at CMSF this week on research that Mercer and AIST have been working on together to track super's equity, adequacy and sustainability.

David has also written and spoken extensively about the development of Australia's super system and the need for setting the system's objectives.

In one of his speeches on this topic, he cited four things that were wrong with our retirement income system.

1. The lack of any meaningful integration between super and the age pension
2. The system is too complex – particularly in terms of tax and regulation
3. There is a perception among many in our community that super is not good value
4. There is a lack of long term confidence in the system.

David then went on to say that - before any reform occurs - we **MUST** be clear about super's objective. These comments succinctly sum up most of the key issues in the current debate. David gave this speech to a gathering of super industry leaders in March 1999. Yes, 1999.

David concluded this speech by saying: "Let's not get to 2005 and reflect on our missed opportunity to lead the world with a sound, sustainable and integrated retirement system."

So here we are 17 years later finally having arrived at the point where we are seriously discussing an objective for super. This follows the release last week of a discussion paper from the Government.

AIST has long called for the setting of super objectives and we welcome this development. Setting an objective for super will help us decide to what extent super is designed to replace or supplement the Age Pension in retirement. It should also make it clear that super is for retirement income, not wealth creation for estate planning purposes.

If you follow the media reports on super, you will have noticed a few disturbing headlines recently. Since the start of year, we've had calls for super to pay off university debt, for super to save the agricultural industry, for super to pay off home loans and for low income earners to opt out of compulsory super altogether.

Unless we get agreement on super's objectives, these headlines will keep coming, creating more confusion, distracting all of us from our main task and damaging confidence.

We will need to set targets to measure the system's success and a methodology will be needed to track this. Perhaps most importantly, setting an objective will provide a framework against which we can road-test proposed policy - and tax changes.

So there is A LOT of work ahead – for AIST and other industry organisations involved in this discussion. But I think you all agree – I'm sure David certainly would – that we do not want to be debating these fundamental questions for another 17 years!

Defining the purpose of super in the overall context of Australia's retirement income system is both vital and achievable, despite its complexity.

The key to the purpose of super will be the inclusion of an adequacy benchmark – albeit devilishly hard to define. However, a myth that must be continually and aggressively dispelled is the notion you need \$1M to retire. This number continues to get bandied around by media commentators and industry people alike. It is fallacious and delivers completely the wrong message.

AIST released a white paper in 2015 busting this myth with many funds responding to the paper and sharing it with their members. I spent the best part of week on radio doing my best to avoid giving advice to callers. But a clear message was this – many retirees rang in to the radio and AIST to say thank you – “thank you for telling me that I didn’t fail”.

What sort of industry tells its customers that they have failed? We need to do much better at helping retirees understand how super works with the age pension to provide retirement income. It comes down to communication and trust.

Tax and the budget

Speaking about media headlines that damage confidence in the industry, there is now mounting speculation that quick fix super changes will be part of the upcoming Federal Budget. AIST is very disappointed about this.

There can be no debate that some reform is needed, but we do not support short-sighted policy changes to plug budget holes. The way super is currently taxed is unfair to low and middle income earners. AIST – like many others in the super industry – has done a lot of work - work that is evidence-based through our Tracker modelling tool – on how to close this inequity gap in super.

A retirement income system that effectively provides high-income earners with \$600,000 in lifetime government support, compared to just \$300,000 for someone on the average wage is NOT a fair system. Nor is it a sustainable system.

If super tax changes are indeed announced in the upcoming budget and they fail to pass the fairness test, super will - and should become – a significant election issue – if it isn’t already.

Governance

Another area getting much attention in the public debate is governance. Many of you will be aware that AIST together with ISA has appointed the former governor of the reserve bank Bernie Fraser to produce a Governance code for the not for profit sector. This follows the Senate’s decision late last year to block Government legislation to mandate independence on the boards of not-for-profit funds.

AIST does not oppose independent directors – I want to stress this. There are many independent directors who serve on the boards of Not-for-profit funds. These directors make a valuable contribution to their funds, to our industry and to AIST.

What AIST objects too is an ideologically-driven move to water down the representative trustee system, which we believe plays a key role in the success and out-performance of not for profit funds.

I believe this Review provides a timely opportunity for the profit for member sector to lead global standards in retirement savings governance, without the distraction of a highly pressurized and political process.

AIST was the first in the industry to introduce a governance framework to guide its members’ behaviour and practices. The Fund Governance Framework for Not-for-Profit Superannuation Funds - first published in

2011 and now in its third edition - sets the bar high on a host of governance issues affecting super fund boards.

AIST's contribution to the Governance code will build on this Framework. We will also draw on examples on best practice thinking from other sectors and jurisdictions, including the ASX Principles of Corporate Governance which operate on a "comply or explain" basis.

The success of the ASX principles is partly attributable to their recognition that a one-size-fits-all governance approach is not appropriate. Our code will also recognise this. A new Governance code is not a tick-the-box exercise. In consultation with our members, I am confident we will develop a bold code that sets ambitious targets for good governance practices.

It will strengthen and cement the governance practices that safeguard the retirement futures of the millions of Australians who put their trust in you – profit for member funds. I encourage all AIST members to become involved in the development of this code and embrace it.

Indigenous super

As you will all be aware, AIST's mission is to support funds to achieve a better retirement future for ALL Australians. We have known for some time now that indigenous Australians have poor superannuation outcomes – both in terms of lower balances at retirement and access to insurance benefits – and this is simply not good enough.

AIST has been the key driver of the indigenous superannuation working group, which is currently investigating practical ways the industry can work to improve the engagement of indigenous Australians with superannuation and their retirement outcomes.

As part of this work and our ongoing commitment to reconciliation, I would like to announce today, that AIST has formed a two-year partnership with First Nations Foundation – an organisation committed to improving financial literacy for Indigenous Australians and assisting the financial services sector to enhance their products.

This partnership will increase support for the Big Koori Super Day out and assist First Nations to meet its goal to deliver eight such events around Australia over the next three years. These events will also provide an avenue for funds to be involved.

From today, speakers and chairs at all AIST events will be thanked with a donation to First Nations Foundation on their behalf. First Nations Foundation CEO Amanda Young is here at the conference, and I strongly encourage delegates to introduce themselves and have a chat. AIST is maintaining its relationship with UNHCR through participation and promotion of Action Hour.

Innovation

Finally I would like to say something about innovation. It is THE buzz word for 2016 and yes it's in danger of becoming a cliché, but there is no escaping its relevance to our industry. In my view, there are big challenges and questions facing our sector around innovation and technology. But there are many solutions and technology moves very quickly, so you can catch up.

Imagine knowing all of your member's financial assets and cashflow and tailoring solutions for them based on this data – a digital aggregator like Moneysoft can do this.

Imagine knowing what all your members are thinking and saying about you and super on social media – a social media aggregator like Sprinklr can do this.

Imagine conducting face to face advice meetings over the web and getting second level ID checking to complete implementation there and then – Suitebox can do this.

Imagine creating mobile friendly PDSs, annual statements to every member and board papers in 20 seconds – Swipe can do this.

AIST is working with these businesses and others to bring to you the opportunity to ride the digital wave. Funds must be curious to what is available and how it could be applied to their member's needs. We need to learn to "fail fast".

As the Treasurer said recently: "Fintech can also help drive improvements in traditional financial services and promote disruption through innovative new products and services, which can offer benefits to consumers and other sectors of the economy"

The bottom line is, the world is changing rapidly, as telco giant Nokia found out the hard way. During a press conference to announce NOKIA being acquired by Microsoft back in 2014, the Nokia CEO ended his speech saying: "We didn't do anything wrong, but somehow we lost." He – and his management team – all had tears in their eyes.

I think there is a message here for all of us. Like Nokia, we don't have to do anything wrong, but if we don't continuously evolve and look for ways to innovate, we – the profit for member super industry - will lose. In putting together this conference, AIST aims to produce a program that is relevant, thought-provoking and inspirational for EVERY delegate - whether you work in marketing, sales, employer relationships, data, investments or you sit on a super fund board.

Since its inception, CMSF has been a conference where robust and frank discussion is encouraged. Your views – the views of trustee directors, fund staff as well as those who provide services to not-for-profit super community - are very important in shaping superannuation policy and the retirement outcomes of working Australians.

It is these views that drive the policy positions which AIST takes to the Government, to the regulators and which influence public debates affecting super.

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