



Tony Beck, group executive – office of the CEO, ME Bank

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BATTLE LINES DRAWN ON MURRAY INQUIRY

Industry super funds must unite to present a convincing argument of their worth to the Murray inquiry to offset lobbying from a predatory banking sector, delegates heard.

Tony Beck, group executive - office of the CEO at ME Bank made a strident case for the dangers posed by the big four banks presenting changes that would give them greater leverage in superannuation when talking to the Murray Inquiry.

“The major banks have been pushing for this for a long time. So we need to be organised and get our act together,” he said. “We should dominate the debate, we have a clear set of principles, the funds

are good and strong, they consistently outperform.”

If we allow the banks to continue to grow, they will become much more predatory on the members of our funds

He described the big four banks as an oligopoly that used the implicit guarantee from the government as being too big to fail, to gain a lower cost of capital and liquidity and effectively shut out smaller regional competitors.

“If we allow the banks to continue to grow, they will become much more predatory on the members in our funds,” he said. “They see industry funds as the

final frontier for their hegemony.”

Nick Sherry, former senator and minister for super, senior advisor for Citigroup, agreed that the experience of large banks dominating pension markets worldwide was worrying, but believed the biggest risk to industry funds was the loss of their default status with employers.

The other speakers on the panel echoed Beck’s call for industry funds to be able to explain their worth to the Murray Inquiry panel.

Zachary May, director of policy at Industry Super Australia, said funds needed to be able to tell a long term story, while Anne-Marie Corboy, chief executive of HESTA, said they needed to keep on the front foot and talk about the good parts of the system. **ff**



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MEETING THE NEEDS OF AN AGEING POPULATION

Australia's population is currently 23 million people. By 2050 it will be almost 40 million people. The percentage of people over the age of 65 – retirement age – is growing rapidly. By 2025 the number of people aged 65 to 84 will more than double.

We currently have a \$1 trillion superannuation savings gap. Just 3.5 per cent of Australians expect to have more than enough money to maintain their lifestyle in retirement. Additionally couples without children will be the fastest growing family type increasing by 1.4 million to 3.5 million by 2031. The number of people living alone will grow from a base of 1.9 million in 2011 to 3.2 million by 2031.

NAB is committed to being the Bank for Superannuation and Ageing - we know what pre and post retirees need. We have strong connections at the institutional level and can deliver appropriate solutions to help superannuation funds provide their clients retirement solutions. NAB has the broadest and most holistic product offering for funds from an Australian bank, providing solutions based on a deep understanding of the superannuation industry.

NAB has tapped into this changing investor sentiment by providing one of the largest ranges of vanilla and tailored term deposits that delivers on the value proposition of providing products that help Australians plan for retirement. Our goal is to provide more stable retirement income; to develop annuity products; to provide investments that will provide a greater degree of certainty in their return. Diversification is key - superannuation portfolios need to be balanced and people should have more choice. These products need to be simple. It is our job to ensure the risks associated with these products are clearly understood.

More broadly NAB offers a range of integrated services to funds such as transactional banking and clearing house solutions, currency and risk management, access to markets and specialised finance, custody and asset management.

Christine Bartlett is executive general manager of products and markets, asset servicing for National Australia Bank



Winner of the annual trustee of the year award, John Brumby with Ray Macken (left) from Schoders and Tom Garcia (right), AIST chief executive

TRUSTEE OF THE YEAR

John Brumby, chair of MTAA Super was commended for his passion in improving the well-being of others in winning the annual trustee of the year award

The former federal MP and premier of Victoria stepped down from politics in 2011 to take on the role of chair at a fund that was struggling with low performance and poor governance.

Sue Dahn, a fellow trustee on the MTAA Super board, praised Brumby for achieving a "huge amount" over the last three years.

A man with a passion to improve the well being of people's lives

"His leadership has overseen major improvement at the fund," she said and had been the "turning point back to success for MTAA Super".

Leeanne Turner, chief executive of MTAA Super said Brumby's presence had played a key role in attracting and retaining staff at the fund, when things

had been difficult and that he had put the fund at the forefront of best practice, not least with its pension product.

She said it had not been easy for him to step down from politics and into superannuation and described him as "a man with a passion to improve the well being of people's lives," which she said was the hallmark of a great superannuation trustee.

Brumby himself described how he had almost entered superannuation as early as 1990 after losing his federal seat as an MP, but that Paul Keating had advised him down this path. The opportunity to lead in Victorian state politics had intervened, so he said it was a "dream to get back into the industry"

He praised Leeanne Turner as a fantastic chief executive and credited the fund as having a "rebalanced, restructured and renewed management and a reformed the board".

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Rosalind Croucher holds the attention of the Q+A panel

HIGH EARNERS TAX BREAK A HOT TOPIC AGAIN

For the second year running the Q&A panel led by Tony Jones at CMSF pressed for a more equitable tax concessions for super.

The affordability of giving high earners such a disproportionately large part of the tax concessions was raised in a debate on the growing burden funding baby boomers in retirement would impose on the economy and younger workers.

David Elia, chief executive of HOSTPLUS spoke in favour of this solution, saying more tax breaks should be given to low paid workers.

Dr Cassandra Goldie, chief executive of ACOSS, favoured taxing pension payments as these were overwhelmingly being used by high earners for reasons of optimal tax planning.

She also wanted the age pension to be restricted from those with property assets of \$1million.

John Daly, a director of the Grattan Institute, said such cuts would save the government billions every year and that a disproportionately high number of those accessing super as an income were high earners.

One of the key objections to reducing tax concessions for high earners came from Professor John Piggott of the ARC

Centre of Excellence in Population Ageing Research. He said if high earners were deterred from superannuation investing they would put their money into residential housing instead, at the risk of distorting the market.

Instead, he favoured raising the access age from age 60 to age 63, not least because when this was last shifted from age 55 to age 60 there was "barely a murmur" of complaint.

Another issue debated in relation to helping reduce the burden of a large population in retirement was that of making it easier for older workers to stay employed.

Susan Ryan the Age Discrimination Commissioner, said recruiters needed to change their attitudes for this to happen

Cassandra Goldie concluded the session by proposing a cross industry body that could advise the government on these issues, thereby depoliticizing the debate.

"We agree on more than we disagree on. This would help get policy consensus and enable politicians to be a little braver." ❏

LACK OF INFO ON INVOLUNTARY RETIREMENT

Employees working in the hospitality and food sectors are those most likely to involuntarily retire before the age of 55, research carried out by the Australian Centre for Financial Studies (ACFS) has shown.

Dr Deborah Ralston, executive director of the ACFS said the finding dispelled the popular notion that those most likely to retire early were labourers and showed the need for more research on involuntary early retirement before any government pushes up the preservation age for superannuation.

One idea that was discussed was a different retirement age for different industries, a model that is currently used in Finland

The next most likely group to retire early primarily due to reasons of ill-health, but also redundancy, according to the research, were those in administrative and support services.

Ralston admitted that much more research was needed before it could be calculated how to be fair to all sectors of society when making changes to the preservation age or the pension age.

One idea that was discussed was a different retirement age for different industries, a model that is currently used in Finland or different contribution rates for specific jobs - though Ralston caution this would complicate the system.

Another idea was better communicating to people how the last 15 years of superannuation saving before age 65 would often accumulate at least half of a member's account balance at retirement.

Lastly, Ralston discussed the possibility of making allowances for individuals to access retirement savings earlier than the preservation age, though she said this might create an incentive for some to retire earlier. ❏



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After collecting his Trustee of the Year award, John Brumby told of how working with super was a "dream come true"



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Mike Lester getting scanned for the twentieth time this week



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Mothers Day Classic Boardroom Challenge
 Leaders of industry putting up their hand to raise funds for breast cancer research
 Maria Wilton, Anthony Rodwall-Ball, Leanne Turner, Ross Goodman and Cate Wood



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WOMEN IN SUPER RAISE \$19.8M FOR BREAST CANCER RESEARCH

The Women in Super Mothers' Day Classic raised \$5 million last year, bringing the total amount donated to the National Breast Cancer Foundation to \$19.8 million over 16 years.

The 2013 event saw 135,000 people participate in 76 cities and regional towns across the country, and this year's event is already poised to pass those records, with 97 towns and cities registered to participate.

The success-story that is the Mothers' Day Classic is one of the many activities conducted by Women in Super which now has a membership of 1,095.

Women in Super also has an active research agenda

Last year the organisation hosted more than 40 networking events, and awarded three scholarships including the Fiona Reynolds Global Dialogue Scholarship to Megan Pham of AMIST Super to attend the AIST Global Dialogue in China this May/June.

Women in Super also has an active research agenda and has commissioned a research project investigating whether women are using voluntary contributions. Melissa Fuller from Rice Warner presented on this project yesterday morning at CMSF.

Last year AIST and Women in Super also jointly conducted Super Springboard, a government-funded initiative to increase the number of women on superannuation boards.

Women in Super is a national and state-run organisation which in 2013 appointed the following new board members: Joanne Fenton (ACT), Melissa Birks (Vic), Lourise Aracas (Vic), and Michele Herbert (WA).

The other board members are Michelle Griffiths (ACT), Gai Power (Qld), Kerri Pratt (NSW), Susan Roberts (NSW), Thomay Gatis (SA), Cate Wood (National) and Sharon Morris (secretary). 

THE POWER OF DIVESTMENT

Cbus divested in cluster munitions two years ago, divested from tobacco stocks last year and is now investigating whether it is appropriate for the fund to invest in companies that produce asbestos.

David Atkin, chief executive of Cbus, said the fund has a collective approach to ESG integration, however there were occasions that engagement is not practical.

In the case of tobacco, divestment was made on the basis there is no safe level of use of tobacco, the industry conducts unsafe practices and poses a reputational risk to the fund.

In addition 6.6 per cent of the death claims of members was from lung cancer, which Atkin said was evidence of the significant health risk tobacco posed to members.

The decision, which took 12 months, included an analysis of the financial impact of divestment. Cbus' holdings were 0.106 per cent worth \$24 million.

Cbus is now one of 15 Australian super funds that has divested from tobacco manufacturers. Such divestment is part of a crusade for Bronwyn King, radiation oncologist at the Peter MacCallum Cancer Centre.

King has been engaging with boards of super funds about tobacco divestment and her work has produced a collective divestment worth \$1.2 billion.

First State Super, which has 42 per cent of its membership in the health industry, has also divested.

Chief executive, Michael Dwyer, said there are many factors for boards to consider in making a divestment decision in light of section 52 of the SIS Act which says trustees should act in the best financial interests of members.

The board of First State, including one union trustee who had members working in the tobacco industry, met three times in order to make the decision.

According to King 100,000 children take up smoking each year; there are six million deaths worldwide each year because of tobacco; and 5.5 trillion cigarette butts are littered each year. 

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INDIGENOUS AUSTRALIANS OFTEN NOT CLAIMING SUPER

Aboriginal and Torres Strait Islander people are being poorly served by superannuation as many fail to claim what is rightfully theirs, delegates heard.

In a session entitled Indigenous Recognition, the problems were listed as lower than average longevity, language and cultural barriers, loss of documentation and settlements remote from mail or transport, leading to benefits, including insurance, often not being claimed.

Stephen Rowe, chief executive of Vision Super, spoke of his experience of serving members in South Australia and how it was common for Aboriginal

people to give up on establishing contact with their fund after an initial first, unsuccessful attempt.

Rowe said as an industry superannuation had only just begun to look at the issues, which meant that many funds did not know what proportion of members were Aboriginal and that only four had an explicit communication approach to these members.

Luke Everingham, a financial literacy educator for the Red Cross in Alice Springs, spoke of the problems in central Australia of people who lived in remote communities without conventional addresses or in shared crowded accommodation with little place to keep documents.

He urged superannuation funds to be more flexible in how they communicated and paid out benefits to Aboriginal people. One initiative he praised was the move to allow the use of photo IDs rather than tax file numbers in accessing benefits.

John Montague, commissioner of superannuation, Northern Territory made the point that with life expectancy for Aboriginal people around 11 years less than the average Australia, and incidences of chronic diseases such as diabetes occurring earlier too, often the key benefit for Aboriginals was TPD or income protection. And yet he said, there was often low awareness that insurance was offered as part of superannuation. **IF**

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REHABILITATION THE ANSWER TO TACKLING RISING MENTAL HEALTH CLAIMS

In Australia, evidence suggests that absenteeism from work due to mental health issues is close to outstripping that of physical injuries or other issues. Indeed, mental health is now one of the top three claims in the life industry, says Damien Mu.

Close to 40 per cent of all Australian employees are reported as being stressed out on a daily basis, with 12 per cent claiming to be highly stressed. In fact, stress related illnesses are forecast to be the leading cause of global disease by 2020.

The impact of this is being felt on our industry. Group insurers are now paying out over \$160 million each year for income protection and total and permanent disablement claims where the primary cause of claim is mental illness alone.

At AIA Australia, trials have revealed that effective rehabilitation programs through early intervention have helped return people back into the workplace. Encouragingly, similar results have been achieved by savvy organisations

that actually show that rehabilitation and RTW programs actually help boost organisational productivity through increased worker output and reduced unscheduled absences.

However, looking across the industry, more needs to be done to raise awareness of the power of rehabilitation and early intervention.

A survey conducted by AIA Australia following the Group Insurance Summit in September last year indicated that while 72 per cent of respondents had an occupational rehabilitation (OR) program in place through their insurer, 52 per cent thought employers were unaware of how to implement OR practices. 18 per cent thought the cost of implementing OR was too high.

Whether we like it or not, work is an important part of life regardless of whether it is paid or unpaid. It positively influences our mental health as in most cases it provides an opportunity for social interaction, skill development, structured time and routine, and a sense of purpose.

It is therefore imperative that insurers, funds and intermediaries respond to the complexity of these issues by working collaboratively and relationally with their members and their treating professionals, as well as supporting early rehabilitation intervention and effective return to work programs to promote and restore positive health outcomes. **IF**

Damien Mu is general manager of life insurance for AIA Australia



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