

International view on the Australian retirement system

from
MySuper
to
MyRetirement

ICPM working group, Sydney, October 28th 2019

Topics

- Growing Pains
- Choice = Freedom ?
- Leadership

ICPM Working Group

- Michael Preisel, Risk Officer, United Nations Pension Fund, **USA**
- Susan Banta, Director of Research, PEW Charitable Trusts, **USA**
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- Albert de Wet, Group Treasury Portfolio Man., FirstRand, **South Africa**
- Fernando Larrain, CEO, Asociacion de AFP de Chile, **Chile**
- Alwin Oerlemans, Head of Product Man., APG, [The Netherlands](#)
- Bernard Morency, Senior Fellow, Global Risk Institute, **Canada**
- Benne van Popta, Chairman, PMT, **The Netherlands**
- André Snellen, Chairman, Pension Fund Retail Sector, **The Netherlands**
- Zoe Alexander, Director of Strategy, NEST, **UK**
aided by Eleanor Cooksey

Interviewees

- **Andrew Boal**, CEO, Rice Warner, Consultant-Actuaries
- **Eva Scheerlinck**, CEO, AIST, organisation of Superannuation Trustees
- **Hazel Bateman**, Professor of Economics, University of New South Wales
- **Jeremy Cooper**, Chairman Retirement Income, Challenger, investment company
- **Angela MacRae**, Productivity Commission, Government Research Institute
- **Susan Thorp**, Professor of Finance, University of Sydney Business School
- **Ian Yates**, CEO, COTA, Council On The Ageing for older Australians
- **Helen Rowell**, Deputy chair, APRA, Prudential supervisor/regulator
- **Nick Sherry**, former Minister for Financial Services and Superannuations
- **David Knox**, Mercer, as our liaison officer

Growing Pains

Past:

Baby: 3% in Superannuation in some sectors (the eighties)

Toddler: 9% compulsory for all employees (moving to 12%)

Now:

Adolescent: 135 % GDP, it's here to stay !, strong savings machine

Future:

Into maturity: From MySuper to MyRetirement

Growing pains:

potential for a splendid human being but also risk of going off the rails when hanging out with the wrong friends.

Existential questions: who am I ?

Growing Pains

Royal Commission:

- no deducting of advise fees
- one default account
- re-enforcing supervisors
- lack of independent and qualitative financial advice

Productivity Commission:

- bad performing tail
- end unintended multiple accounts
- derailing of Self Managed Funds
- regulations focus too much on funds and not members
- board member skills

and Australia knows that it's going from an accumulation phase to a decumulation phase.....and seems lost

Choice = Freedom ?

In an ever changing, extremely complex interaction of a

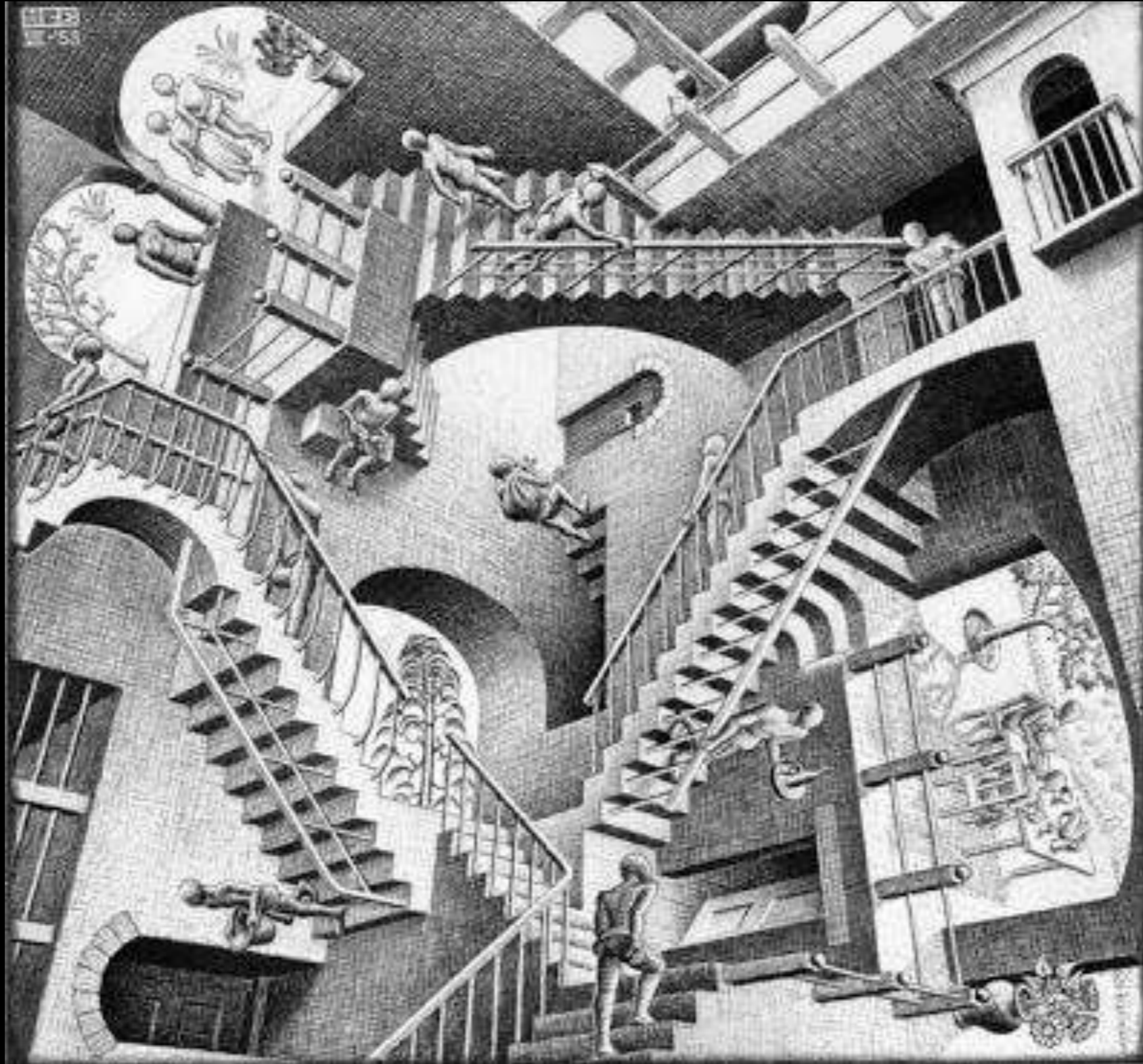
- means-tested state pension,
- means-tested health care system,
- means-tested age care system,
- Superannuation

and (mortgaged) homeownership

pretending that members going into retirement can make choices in their own interests is **misleading.....**

they are utterly lost

Choice = Freedom for retirees ?



Leadership

Leadership is necessary to make a change; **set a goal !**

From return based to replacement based

=

From savings account to income stream

=

from MySuper to MyRetirement

Goal setting:

Politics; traditionally too divided

Trustees; lack stable policy framework, dual responsibility (members & organisation), focus on 40 year olds (marketing driven)

Supervisors: lack mandate

Risk of supervisor becoming an implicit and unintended dealmaker;
firefighting on the edges.

Leadership

130 % of GDP: wrongdoing could seriously harm Australia.

Politics:

Retirement Income Review as a crystallization point;

- steering it away from political turmoil
- now only Treasury; broaden to include welfare/social affairs
- evaluate and strengthen where needed mandate of supervisors

Learn from other countries; “pensions board”. Perhaps include employees, employers, retirees and experts ?

Trustees:

- work on MyRetirement (CIPR)
- give retirees a say/seat at the table as an ever larger part of AUM is in the hands of retirees;
- risk-management; secure board quality on IT, regulation and investments (internationalization)



“We shape our buildings; thereafter they shape us”

Winston Churchill, 1943.

But you are not alone
in this !