TO Mr. MIKE CALLAGHAN AM PSM, CHAIRMAN, REVIEW OF RETIREMENT INCOMES

For your information I was involved in the superannuation and life insurance industries for 39 years. In that time, I was a Consulting Actuary specializing in these fields and for the last 13 years of my career I was Chief Actuary of a major life insurance company. I was also on an advisory committee to government on insurance when Paul Keating was Federal Treasurer.

" SUPER" PLAN- MAJOR ECONOMIC ISSUES- INVESTMENT IN THE NATIONAL INTEREST

I would like to put before you and your colleagues some thoughts on various issues of concern in the economy. As a nation we are finding it very difficult to come up with workable solutions to major problems. Official interest rates are close to zero and have little effect and presumably the next step will be Quantitative Easing. On top of this trade wars could lead us into a major recession and periods of stagnation, resulting in falling standards of living.

Although there is no quick fix I would like to think that your review could through a modification to our superannuation system promote some bold steps to strengthen our economy and produce quality jobs. A stronger economy would amongst other things lead to enhanced investment returns for the benefit of superannuation fund members. My suggestion, which would require detailed analysis, is outlined below:

1. Superannuation Funds approved for tax purposes would be required to invest part of their cash flow in classes of assets considered to be in the National Interest. The operations would, where appropriate, need to allow for Ministerial direction in respect of Government policy.

2. 15% say of net cash flow to be so invested.

3. Only investments likely to produce adequate financial returns over a long period would be considered. Individual projects would need to be of sufficient size and character that the financial assistance required would not be available from the stock market or the banks.

4. Some possible asset classes: transport, communications, biotechnology, affordable housing, energy reserves and storage, water management, waste management.

5. A new Investment Authority would be required with an appropriate charter to ensure national objectives are met.

6. Compulsory superannuation should be retained.

7. A five year phase-in period would seem appropriate to both achieve the above percentage and cover a full class range of assets. It probably should

be limited to large funds at the outset. The phase-in could be timed to coincide with a move to a 12% contribution rate.

Snowy 2.0 could have been a project wholly or partly financed under such a scheme.

This would not be the first time that there has been a requirement to invest in a particular class of asset. Many years ago approved superannuation funds and the statutory funds of life offices invested 30% of their funds in government and semi- government securities. It is recognized however that the above proposal is much more complicated.

I hope that your remit can encompass the above; and further it is seen to be worthy of consideration, analysis and refinement to make it workable in an acceptable way.

JOHN KENT
13 WILSONS ROAD
MORNINGTON
VICTORIA 3931

Mobile 0438 644448
John.kent2@bigpond.com

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PS. Since writing the above, I read former premier Colin Barnett's article of 24th October in The Australian Financial Review. He promoted an arrangement to solve major energy problems by the construction of a trans-Australian gas pipeline from the northwest coast to the existing gas distribution hub at Moomba. The cost would be considerable. He writes 'superannuation funds are bound to be interested'. Such a scheme, subject to analysis, would be the type that I envisage for the plan I advocate. The Federal Budget for the foreseeable future is not likely to be in a position of being able to address many such issues.