# Retirement Income Review: Proposal for a universal, national government superannuation sovereign wealth scheme

This submission is based on the consultation document on the Treasury website and my own experience as a 76 year old retiree benefitting from the State Super Scheme (NSW). I represent myself and no organisation. In fact, I am not a member of any civic or political organisation, but I am a member of professional organisations in my field of anthropology.

Given the current conservative government, I suspect that many of my suggestions will be unconsidered.

Fundamentally, I propose that all superannuation funds be handled as a sovereign wealth fund and that private involvement in retirement income be restricted to private savings after retirement age only.

This sovereign wealth fund would be available for infrastructure loans with resulting interest income flowing to the scheme. As it could replace expensive foreign currency loans, there would be income and savings to create sustainable management. The board of management should be staffed by the civil service and be non-political. No one currently employed in the financial sector should be on the management board owing to potential conflict of interest.

No payee to this fund should be allowed to access any funds accumulated in it until their retirement age, however determined. At that point, a person of retirement age, whether ceasing to work or not, may take a lump sum representing contributions of whatever nature and manage those monies themselves. Or, they may elect to receive a CPI defined benefit, as I do at present, based on their salary at retirement as is the case with most if not all superannuation schemes. Contributions to this national superannuation fund may come from private individuals as well as compulsory employee and employer contributions, as at present.

No member needs to retire to access their funds in whatever form, defined benefit or lump sum.

There are to be no private superannuation options for those under the determined retirement age.

The tax file number, already widely accepted, would be the superannuation identifier, to simplify administration both for the fund and the individual contributor.

Those on higher salaries receive a higher defined benefit, as they have benefitted in their working lives.

There is no means test for access to this national superannuation fund

Home owners, set to become a minority in coming years, may continue in their homes and the value of the retiree's home not be taken into consideration or regarded as an asset to be liquidated to support retirement income, unless the stakeholder wishes to proceed down that path as part of their individual planning.

Legal superannuation advice is available only through the national superannuation scheme until the member reaches retirement age. After that retirement age, a member may seek advice from accredited (by the national superannuation scheme) financial advisers. This should eliminate the plethora of dishonest and misleading

Those in rental accommodation should receive a means tested rental supplement.

Persons past the age of 70 should receive substantial non-means tested support for their utilities and medical expenses, the latter whether they have private medical insurance or not.

I admit the self interest in my proposal as I am on a defined benefit from the NSW SSS and I am a 76 year old homeowner, jointly with my partner of nearly 50 years. At present, my partner and I share on an equal basis my defined benefit, received fortnightly. My partner's superannuation contnues as a small savings account-like back-up for us.

Such a defined benefit national scheme would lessen the current reliance on the Age Benefit. By having superannuation in a sovereign wealth fund it would improve efficiency: a single, national scheme would mean that the financial institutions that have been shown to have been irresponsible, even venal, would be at arm's length from the national superannuation scheme. Private financial institutions would have their opportunity with those retirees who take the lump sum at retirement age and wish to fund their own retirement; indeed, some without superannuation would have been doing that all along. Anyone resident in Australia should be able to contribute to the national sovereign wealth superannuation scheme, just as people do now to private schemes administered by private and often unreliable financial institutions.

Such a national sovereign wealth fund superannuation scheme would be clearer, its costs regulated centrally and would simplify the current fractured multi-modal system. Persons who have multiple employment throughout their working life would always be in the same scheme until retirement age.

The Age Pension would continue to exist as a safety net or supplement for those lacking national superannuation sovereign wealth funding.

The income standard should be between the "modest" and "comfortable" of the ASFA (p. 34) that some retirees, with their private savings, would be able to achieve as they have done during their working lives. As with superannuation defined benefits at present, CPI adjusted defined benefit would be universal for those in the sovereign wealth superannuation scheme, incomes high to low reflecting the member's income during their working life. Supporting this would be on a scale of the defined benefits achieved by retirees that can be estimated. The proposed rental supplement mentioned above smooths those with paid for home ownership and those who are renters. Those homeowners with mortgages are between those standards and should be supported for equity if necessary. Given that the scheme proposed is universal and centrally administered, fees and other costs should be lower to the member.

The creation of the proposed National Sovereign Wealth Fund Superannuation Scheme should mean a decline in citizen tax burden as the government becomes the sole holder and manager of a national superannuation scheme. This should work towards equity.

The question of the ageing Australian population fails to take into account our country's vigorous immigration programmes, largely to make up for declining fertility of our wealthier population. Demographers in the last century worked out the "demographic transition" that wealth impacts on fewer children per household and this has proven to be the case, as the late ANU demographer Jack Caldwell predicted in his "wealth flows" research.

In terms of equity, and with the entire retirement income scheme being national and centrally administered, there should be an annual review built in so that an annual public report can be published to monitor equity and make needed adjustments.

Associated with the National Sovereign Wealth Fund Superannuation Scheme would be a tribunal for dealing with member concerns.

There are two elements in the discussion paper that I find disturbing. Firstly, the concept of "longevity risk". This suggests that government outcomes are predicated on lack of longevity risk. By that measure, Australia's indigenous populations should be considered favourably! Of course, such a comment is insensitive, even obscene, but it is one that comes to the mind of a 76 year old like me who seems to have considerable "longevity risk". Regarding the lack of "longevity risk" of Australia's indigenous peoples, I take my remark from the humourous Adam Briggs.

Secondly is the question of "cohesion". Some people delight in financial planning, even having an aptitude for it. Others are less drawn to such activities. From the writing it would seem that "cohesion" is laid at the feet of the individual. Very little in a complex advanced capitalist country such as Australia can be controlled by the individual, even very powerful ones. Financial factors far beyond the borders of Australia temper local planning. "Cohesion" therefore would be a chimerical pursuit, the younger the person, as such mighty factors change.

Should a National Sovereign Wealth Fund Superannuation Scheme be taken at least part of the activity could be devoted to developing scenarios to make such a complex system of factors more understandable to the non-economists, the majority of the population. At the present time, with several financial institutions in the mix, "cohesion" is impossible to achieve either on an individual or a societal level. "Cohesion" may remain as an ideal only.

The effect of my observations above is to answer the last question on Consultation document page 26: I am proposing that a National Sovereign Wealth Superannuation Scheme effectively obviates the Age Pension, except for low income and distressed people..

I (and the rest of Australia) look forward to the report of this enquiry and hope that it will be long-term and bold in scope, in particular addressing the chicannery of Australia's private financial institutions which, day by day, reveal more of their attempts to cheat us.

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