

Parliament of the Commonwealth of Australia

**Third Report of the
Senate Select Committee on Superannuation**

**Super
and the
Financial System**

Canberra

October 1992

© Commonwealth of Australia 1992

ISBN 0 642 18475 5

This document was produced from camera-ready copy prepared by the Senate Select Committee on Superannuation Secretariat, and printed by the Senate Printing Unit, Parliament House, Canberra.

Printed for AGPS by Pirie Printers Pty Limited, Fyshwick, ACT 2609

MEMBERS OF THE COMMITTEE:

Senator Nick Sherry	Chair	Tasmania
Senator Richard Alston	Deputy Chair	Victoria
Senator Bruce Childs		New South Wales
Senator Cheryl Kernot		Queensland
Senator John Watson		Tasmania
Senator Sue West		New South Wales

Secretariat Staff:

Secretary:	Mr Richard Gilbert
Principal Research Officer:	Mr Michael Game
Senior Research Officer:	Mr Gary Bauer
Senior Research Officer:	Mr Rod Power
Executive Assistant:	Miss Heather Hibbitt

Address: The Senate
Parliament House
CANBERRA ACT

Telephone: (06) 277 3439

CONTENTS	Page No.
Members of the Committee	iii
Contents	v
Terms of Reference	vii
Reporting Strategy and List of Committee Reports	ix
SUPER AND THE FINANCIAL SYSTEM	1
Appendices:	
A. List of submissions re on-going inquiry	33
B. List of Witnesses re On-going Inquiry	47
C. List of Submissions re Superannuation Guarantee Legislation Inquiry	53
D. List of Witnesses re Superannuation Guarantee Legislation Inquiry	57

TERMS OF REFERENCE

To inquire into and report upon:

- (a) the constitutional arrangements governing superannuation;
- (b) the taxation arrangements which apply to superannuation;
- (c) the adequacy of prudential control arrangements applying to superannuation funds;
- (d) the implications for the financial system of the expected growth in superannuation fund assets;
- (e) the investment of monies by superannuation funds;
- (f) the ownership of surpluses in defined benefit superannuation funds;
- (g) the level and structure of fees and commissions charged in relation to superannuation fund membership and asset management;
- (h) the information available to members of superannuation funds;
- (i) the representation of fund members in trustee structures of superannuation funds;
- (j) the dispute resolution mechanisms available to members of superannuation funds;
- (k) the rules applying to contributions and the vesting and preservation of benefits;
- (l) the appropriate means of providing adequate superannuation for part time and casual employees and the feasibility of providing superannuation for people outside the workforce;
- (m) the rate of employer non-compliance with superannuation awards;
- (n) the possibilities for simplifying superannuation;

- (o) the feasibility of providing improved benefits to superannuation arrangements in lieu of increased contributions under superannuation awards in appropriate circumstances; and
- (p) the need for an appropriate target and timetable for the achievement of adequate levels of superannuation;
- (q) any other relevant matters, including superannuation arrangements existing in other countries.

REPORTING STRATEGY AND LIST OF COMMITTEE REPORTS

The Committee has presented the following papers and reports to the Senate:

Title	Date	Term of Reference
<i>Super Systems Survey</i> – A Background Paper on Retirement Income Arrangements in Twenty-one Countries	December 1991	(a)
Papers relating to the Byrnwood Ltd, WA Superannuation Scheme	March 1992	
Interim Report on Fees, Charges and Commissions in the Life Insurance Industry	June 1992	(g) and (h)
First Report of the Senate Select Committee on Superannuation – <i>Safeguarding Super</i> – The Regulation of Superannuation	June 1992	(a), (c), (d), (e), (f), (h), (i), and (j)
Second Report of the Senate Select Committee on Superannuation – <i>Super Guarantee Bills</i>	June 1992	(l), (m), (o) and (p)
<i>Super Charges</i> – An Issues Paper on Fees, Commissions, Charges and Disclosure in the Superannuation Industry	August 1992	(g) and (h)
Third Report of the Senate Select Committee on Superannuation – <i>Super and the Financial System</i>	October 1992	(d)

The Committee envisages reporting on the outstanding terms of reference on or before 14 December 1992. The final report/s will address the following issues:

Issue	Term of Reference
Superannuation – The Social Links	(k) and (q)
<ul style="list-style-type: none"> • Vesting and Preservation • Interaction of Superannuation with the Social Security System • Lump Sums and Annuities 	
Taxation and Simplification of Superannuation	(b) and (n)
Superannuation and the Consumer	(g) and (h)

SUPER AND THE FINANCIAL SYSTEM

Introduction

1. There is considerable uncertainty about the implications for the financial system of the expected growth in superannuation fund assets. It is not even clear what the likely level of superannuation funds in the future will be. The difficulties in estimating the growth of superannuation assets arise because of the uncertainty of fund earning rates, hitherto the major factor in superannuation growth, the extent to which individuals will 'top up' compulsory superannuation coverage and the operation of key components of retirement incomes policy, for example, preservation age, lump sum limits etc. The term 'financial system' is vague and can cover a multitude of matters. For these reasons, the Committee acknowledges that its treatment of the topic in this chapter is more in the nature of a preliminary outline of some of the more topical issues arising from the expected growth of superannuation funds than a definitive analysis of the relevant term of reference.

2. The Committee further acknowledges that there is a degree of overlap between the coverage of this term of reference on the implications for the financial system of the expected growth of superannuation and other terms of reference which were covered in the Committee's first report, *Safeguarding Super*. Therefore it is recommended that Chapters 4, 8, 9 and 10 of that report be read in conjunction with this report.

3. The Committee's approach to the task has been, first, to set the scene by utilising information contained in statistics presently available and evidence from The Treasury, the Australian Bureau of Statistics (ABS), the Insurance and Superannuation Commission (ISC) and other witnesses and to draw out some implications from them. These implications are shown in italics in the following text. The Committee has then considered the evidence made available to it on the implications for the financial system of the growth of superannuation funds. These elements have been drawn together and, where appropriate, certain conclusions and a limited number of recommendations have been made.

4. The information contained in data provided by The Treasury, the ABS, the ISC and evidence to the Committee covers the following matters:

- superannuation contributions
- superannuation fund earnings
- superannuation fund assets
- superannuation and the market for Australian shares
- superannuation and managed funds
- superannuation and national savings
- superannuation and the long-term interests of contributors
- superannuation and unfunded liabilities

Superannuation Contributions

5. The contributions of individuals and companies to superannuation funds provide the basic source of funds available to these institutions. The funds then invest the contributions to derive additional revenue.

6. The SGC legislation sets out rising levels of compulsory superannuation contributions and hence has the effect of increasing the number and amount of contributions to superannuation funds. The actual total dollar value of increased superannuation contributions in future years has not been clearly established.

7. The Treasury provided estimates of the additional superannuation contributions arising from implementation of the SGC. The estimates were 'derived from simulations conducted on the National Mutual Retirement Incomes Policy Model' and are described as 'rough projections only ... [with the disclaimer that] none of the numbers ... can be regarded as a forecast'.¹ The projections assume certain increases in the coverage rates of superannuation, average weekly earning rates and an inflation rate of four per cent. A full list of the 'more important parameter values used in simulations' is given in Appendix 1 of the above submission from The Treasury.

¹ Treasury, 6 May 1992, SG 32 p 3.

8. The Committee has noted the Government's decision to establish a Retirement Income Modelling Task Force which will draw on the resources of The Treasury, the Department of Finance and Social Security. The task force will build a demographic, superannuation and accounting model which will keep track of the projected superannuation contributions and benefits for individual groups and will make assessments of the impact of retirement incomes policy over the next 50 years.² The Committee expects that the new modelling will build on knowledge and expertise gained from the National Mutual model, hitherto the only model available.

9. The Treasury estimated that the SGC in its first year would increase superannuation contributions by three per cent over what they would be in the absence of the SGC, by eight per cent in the second year, 11 per cent in the third year, 14 per cent in the fourth year, 17 per cent in the fifth year, 20 per cent in the sixth year, 26 per cent in the seventh year, 32 per cent in the eighth year and 39 per cent at full implementation in the ninth year. It appears that the actual level of superannuation contributions in the base year used by The Treasury (1989) is \$402 million, so the growth of superannuation contributions arising from the SGC is significant.³

10. The Treasury estimates are based on the Government's original timetable for the SGC, which would have seen it fully implemented in nine years. However, the timetable became eleven years rather than nine in the final legislative form of the SGC. As well, the incremental changes in the percentage contributions through the 1990s were lowered and the threshold payroll level (at which the SGC cuts in) was raised from \$500 000 to \$1 million. Under the legislation, a regulation needs to be made in December 1992 to increase the level of contributions from four to five per cent for firms whose payroll exceeds \$1 million. Finally, Parliament raised the exemption level from the initial proposal of \$250 per month to \$450 per month.

11. As a result of these changes, the percentage change in the level of superannuation contributions during the 1990s is likely to be less than The Treasury assumed, but the general trend and possibly even the final level (that is, a 39 per cent increase over what contributions might have been in the absence of the SGC) are likely to be accurate.

² Treasurer's Press Release of May 1992.

³ *Op cit*, SG 32, p i; including Table 1 on the same page.

Superannuation Fund Earnings

12. The financial assets of superannuation funds comprise the contributions and the earnings generated by investment of those contributions. Whilst the SGC will lead to a greater volume of contributions to superannuation (The Treasury's estimate of a 39 per cent increase in superannuation contributions was noted above), it is also likely that the greater share of the growth of superannuation funds will be due to earnings on those contributions. The Reserve Bank of Australia notes that this was certainly the pattern through the 1980s: 'most of the growth [of the superannuation sector] occurred through high earnings rates, rather than through a high level of net contributions by members'.⁴

13. Another significant factor in the growth of superannuation assets is the operation of a broader retirement incomes policy. In this regard, provisions which allow individuals to have access to superannuation funds for other than genuine retirement purposes have the potential to impact on asset growth. Dr Vince Fitzgerald submitted that, in the absence of changes to existing policy, leakages (due to non-preservation of benefits accessible to scheme members on transfer of employment) in excess of \$2 billion annually could occur during the next five years.⁵ The Committee notes that both the *Security in Retirement*⁶ and *Fightback!*⁷ proposals for superannuation reform address this leakage problem and, over time, will significantly reduce it. The final report/s of the Committee will address these problems in detail.

14. The Treasury assumes an eight per cent nominal earnings rate of superannuation funds which reduces to a four per cent real earnings rate once account is taken of its assumption of a four per cent inflation rate. The projections extend over a forty year period, by which time the full effects of the SGC measures on public and private finances are evident.⁸ An ASFA survey of superannuation fund investment returns for 5, 10, 15, 20 and 25

⁴ RBA sub no 190, Edey et al, December 1991, p 21.

⁵ Sub no 263, p 2. These estimates were based on assumptions that people aged less than 30 would withdraw all their personal contributions when changing jobs; those aged 30 to 39 would take out an average 33 per cent; those aged 40 to 49 would access 67 per cent; and those over 50 would leave the entire entitlement intact.

⁶ Statement by Treasurer, 30 June 1992.

⁷ *Superannuation Made Simple*, Senator R Alston, 7 September 1992.

⁸ Treasury, SG 32, 6 May 1992, p 18. Treasury notes that its wage and price assumptions have no official status.

year periods using rolling averages revealed a high degree of volatility with the five year real rate of return varying from minus ten per cent to plus 16 per cent. The 15 year rolling averages varied from minus two per cent to plus seven per cent.⁹ Table 1 shows the average real rates of return for the 25 year periods at 30 June for the years 1987 to 1991.¹⁰

25 Years Ended 30 June	Typical Fund Performance	AWE	CPI	Real Rate of Return*
1987	12.7	9.6	7.2	2.8
1988	12.3	9.7	7.5	2.4
1989	12.1	9.8	7.8	2.1
1990	13.0	9.8	7.9	2.9
1991	13.0	9.8	8.0	2.9

* Rate of return after inflation has been taken into account.

15. *The validity of The Treasury assumptions, especially in the context of the current low interest and low inflation climate, about the earnings rate of superannuation funds and the rate of inflation may be questioned, and the assumptions made about them have implications for the effect of the SGC on the financial system. For this reason, it is important that future governments closely monitor medium and long-term fund performance and, if required, be in a position to promote a more efficient and competitive capital market if returns fall below the required benchmark.*

16. In its first report, *Safeguarding Super*, the Committee called for wide ranging prudential controls over fund administration and investment practices and for more stringent auditing by the ISC. That report also recommended that a national database be established by the ISC to allow the community to have access to information about individual fund performance against certain benchmarks. Since the publication of that report, the Committee has received many complaints of poor – even negative – fund earning rates, reinforcing the case for closer scrutiny of fund performance.

⁹ *Superfunds*, 14 July 1992, pp 14-15.

¹⁰ *ibid*, p 15.

Recommendation 1:

The Committee recommends that the prime regulator of superannuation, the ISC, monitor, report and regularly publish comprehensive aggregate statistics on superannuation, including details of fund earnings.

Superannuation Fund Assets

Sectoral Competition for Superannuation Funds

17. The ABS identifies five sub-sectors of financial enterprises: the Reserve Bank of Australia; banks; non-bank deposit-taking institutions; life offices and superannuation funds; and other financial institutions. Life offices and superannuation funds are separately defined 'because of the importance of [these] institutions as repositories of long-term household savings'.¹¹

18. Life offices and superannuation funds make up 32 per cent of the market activity of these five broad financial groupings. Banks make up 43 per cent (up from 40 per cent in 1989), non-bank deposit-taking institutions make up 15 per cent (down from 19 per cent in 1989) and the Reserve Bank and other financial institutions account for the remainder.¹²

19. The view of the Reserve Bank is that:

... superannuation funds and financial intermediaries and other discretionary funds have largely been competing in different markets, although rollover and other discretionary funds have recently emerged as an area where the superannuation sector may be competing more directly with banks for funds. At the margin, this may have had the effect of increasing the banks' cost of funds by reducing a potential source of lower cost deposits.¹³

20. A number of witnesses submitted that the growth of superannuation would result in significant distortions to the current financial system. The

¹¹ ABS Australian National Accounts: Financial Accounts – September Quarter 1989 to June Quarter 1991 Cat No 5232.0, June 1992 pp 69-70.

¹² *ibid*, p 11.

¹³ RBA, sub no 190, Edey et al, December 1991, p 22.

Assistant Governor of the Reserve Bank, Mr Graeme Thompson, whilst acknowledging that the growth of superannuation will provide competition to savings in other forms, expressed an opinion that some of the views 'on the impact on financial flows, have been somewhat overstated and underestimated the capacity of financial markets to deal with these sorts of changes.'¹⁴

21. Mr Thompson told the Committee that banks had become more active in the superannuation field and were now managing 20 per cent of superannuation funds, which represent about six per cent of assets under the control of banks.¹⁵

22. The contrasting role of the banks and life offices as borrowers and lenders of funds was pursued vigorously before the Committee. The banks saw their role as taking in depositors' funds and lending them out again for individuals, whom they see as their principal client base. A concern was expressed that if funds were directed away from the banking system, they would be forced to increase interest rates to maintain deposit and lending levels. To this end, ANZ argued that it should be allowed to operate a savings bank superannuation account under ISC rules which apply to complying superannuation funds.

23. In representing life offices, LIFA acknowledged that there was some concern about the inroads banks were making into activities that were formerly the province of life offices, but pointed out that this development was a form of competition with which the life industry would 'cope'.¹⁶ However, the point was made that the retirement savings accounts proposed by some banks should operate under the same rules and regulations as are applicable to superannuation funds. The entry of banks into the field of superannuation was traversed in *Safeguarding Super* and was the subject of several recommendations.¹⁷

¹⁴ Evidence, p 1989.

¹⁵ *ibid.*

¹⁶ Evidence, p 288.

¹⁷ *Safeguarding Super*, First Report of the Senate Select Committee on Superannuation 1992, p 126, Recommendation 10.2:

The Committee supports the entry of new entrants into the superannuation industry as this will widen consumer choice and introduce more competition to the industry.

The Committee recommends that cross-subsidisation of the administration costs of bank superannuation products and other bank products be legislatively prohibited under the Banking Act and that this be monitored by the Reserve Bank.

24. The Committee notes that the ANZ bank has responded to Recommendation 10.2 of that report, submitting that:

Competitive imperatives of the late 1990s dictate that organisations cannot support sub-viable products, and therefore, cross subsidisation between normal retail banking and superannuation accounts would not be possible.¹⁸

25. Further, ANZ submitted that a more appropriate paragraph 2 of the recommendation would be:

The Committee recommends that the industry educate consumers to an understanding of the relationship between risk, return and the longer term benefits of a diversified portfolio.¹⁹

26. *The growth in superannuation funds can be expected to increase the market share of life offices and superannuation funds and to do so at the expense of traditional saving products offered by banks and other financial institutions, for example, building societies and credit unions. It is likely that banks and the other non-bank financial institutions will develop products and services which allow them to compete for superannuation funds and thereby maintain overall market share. The role of the Reserve Bank of Australia and other Government regulatory agencies will be critical if these market adjustments are to proceed in a way which ensures that security of superannuation savings and optimal returns are to be achieved.*

27. The value of the total assets of superannuation funds and ADFs in March 1992 was \$148 billion, an increase of \$18 billion, or 14 per cent, on March 1991.²⁰ To gain an appreciation of how the assets of superannuation funds and banks compare, it is necessary to look at the total financial assets of life offices and superannuation funds (that is, to include the ordinary business of life offices as well as their superannuation business) – the ABS statistics do not appear to break down these two areas. In June 1991 the total financial assets of banks were \$290 billion compared to assets of \$147 billion held by life offices and superannuation funds. The financial

The Committee further recommends that legislation require consumers to be adequately informed about the implications of a low risk profile for bank account superannuation in terms of retirement benefits, and that the ISC and the industry conduct an education campaign to explain to consumers the importance of risky assets in an investment portfolio.

¹⁸ Sub no 73, additional information of 17 June 1992, p 2.

¹⁹ *ibid.*

²⁰ ABS Assets of Super funds and ADFs: March Quarter 1992 Cat no. 5656.0 July 1992, p 1.

assets of non-bank deposit taking institutions amounted to \$124 billion, and those of other financial institutions \$78 billion.²¹

28. It has been estimated that gross saving through superannuation is approximately six per cent of GDP and that this would increase to seven per cent by the year 2000 and peak at 7.5 per cent in 2005. Net superannuation savings, that is gross superannuation contributions less net payouts, will rise from just over three per cent of GDP in 1992 to just over four per cent in 2000 with a peak level of 4.5 per cent in 2005.²² The Committee acknowledges that changes to superannuation have considerably reduced its competitive advantage as a savings vehicle. If charges, taxes and anti-competitive practices are not kept to a minimum, the continued growth of superannuation will be in jeopardy.

29. Committee members have received a number of comments from retirees about disappointing returns on their rollover products. Some of these comments have indicated that cross subsidisation between rollover funds and other savings vehicles in the one institution has been occurring.

Recommendation 2:

The Committee recommends that the ISC ensures that details relating to costs and fund returns of Approved Deposit Funds and Deferred Annuity investments be published in a succinct summary using a standard format and be made available to investors and prospective investors of these products.

Distribution of Superannuation Assets

30. The distribution of superannuation assets totalling \$148 billion in March 1992 was as follows:

- assets in Australia amount to \$128 billion, or 86 per cent;
- assets in the rest of world amount to \$20 billion, or 14 per cent;²³

²¹ ABS Australian National Accounts: Financial Accounts September Quarter 1989 to June Quarter 1991, Cat No 5232.0, June 1992 pp 18-21.

²² Fitzgerald & Harper, *Superannuation Preferred or Level Playing Field?*, pp 27-28.

²³ The Committee sought information about long-term trends in this aspect of superannuation but was advised that the series has only recently been established.

- non-financial assets held in Australia comprise \$17 billion, or 11 per cent; and
- financial assets in Australia comprise equities and units in trusts (\$53 billion, or 36 per cent), long-term securities (\$34 billion, or 23 per cent), loans and placements (\$10 billion or six per cent), short-term assets (\$7 billion or five per cent), and cash and deposits (\$7 billion or five per cent).²⁴

	Amount \$ billion	Percentage
Assets invested in Australia	128	86
Assets invested overseas	<u>20</u>	<u>14</u>
	148	100

	\$ billion	Percentage of total Superannuation Assets
Non financial assets	17	11
Financial Assets		
• Equities and assets in trust	53	36
• Long term assets	34	23
• Loans and placements	10	6
• Short term assets	7	5
• Cash and deposits	<u>7</u>	<u>5</u>
	128	86

31. A body of evidence alerted the Committee to the likelihood of an increasing level of funds being invested offshore. International diversification by superannuation funds may bring significantly greater returns for the same level of risk compared to a purely domestic portfolio.²⁵ In acknowledging that the change of the savings base from short to long term should not have any immediate effects on the liquidity structure of the local market, Westpac

²⁴ ABS Assets of Super funds and ADFs: March Quarter 1992 Cat No 5656.0 July 1992 p 2.

²⁵ Queensland Government, sub no 128, p 7.

submitted that it may lead to increased investment off-shore in nominal terms.²⁶

32. *The growth of superannuation funds will result in superannuation institutions varying the placement of their financial and non-financial assets. Particular questions may arise about their placement in overseas assets, in Australian equities and in short-term assets.*

Taxation of Interests in Foreign Investment Funds

33. The Committee observes that the extent to which off-shore diversification is pursued by superannuation funds may in future be limited should the Government's proposal to tax unrealised gains by Australian interests overseas be implemented. Also included in the proposal are arrangements to change the tax treatment of insurance/superannuation policies which are brought into Australia by migrants. If the initiative is made to apply to superannuation funds, it could limit their ability to maintain an appropriately diversified portfolio and thereby produce satisfactory rates of return on funds under investment. The cost of compliance with the provisions of this policy may also detract from the performance of superannuation funds.

34. *The Committee believes that measures such as these need to be closely scrutinised before being made to apply to an industry which has not been found to be involved in tax avoidance or evasion by way of overseas investment.*²⁷

Household financial Assets

35. Of the financial assets of households and unincorporated businesses, life offices and pension funds account for \$196 billion or 41 per cent (up from 38 per cent in 1989). Also, the flow of net financial transactions by households is strongly into life offices and pension funds and (over 1989-91) out of equities; and in 1990-91, also out of long-term debt securities.²⁸

²⁶ Sub no 132, pp 11-12.

²⁷ ATO media release 92/34 of 15 July 1992, which announced that Professor B Arnold had been appointed to report on the proposed Foreign Investment Funds measures.

²⁸ ABS Australian National Accounts: Financial Accounts September Quarter 1989 to June Quarter 1991, Cat No 5232.0, June 1992 p 24 and p 64.

36. *The growth of superannuation funds is likely to be accompanied by an increase in the share of life office and pension funds in household financial assets. However, since superannuation funds need to be able to invest their funds somewhere, the net effect on the financial system may not be as dramatic as it appears.*

Superannuation and the Market for Australian Shares

37. The size of the Australian share market in June 1991 was \$291 billion of which 73 per cent was made up of shares issued by private corporate trading enterprises, 14 per cent was shares issued by banks, four per cent was shares issued by non-bank deposit-taking institutions and a further four per cent was shares issued by other financial institutions. The remaining five per cent is mainly attributable to public authorities.²⁹

38. The ABS comments:

Of the total [shares] on issue, the rest of the world was by far the biggest holder. At June 1991 non-residents held shares valued at \$102 billion (35 per cent). Households' apparent holdings at June 1991 were \$67 billion (23 per cent). This estimate is, however, derived residually and so needs to be treated cautiously.

Life offices and superannuation funds were the next biggest holder of shares. At June 1991 this sector held shares valued at \$50 billion which was about 17 per cent of the total.³⁰

39. Of equities issued by private corporate trading enterprises (\$212 billion), banks held \$3 billion or one per cent, life offices and superannuation funds held \$40 billion or 19 per cent, households and unincorporated businesses held \$42 billion or 20 per cent, the rest of the world held \$88 billion or 41 per cent, cross shareholdings accounted for \$25 billion (12 per cent) and the remainder was in the hands of government and other minor holders.

40. Of equities issued by banks; households and unincorporated businesses held \$20 billion or 50 per cent, the rest of the world held \$7 billion, or 18 per cent, banks held \$5 billion or 12 per cent, and life offices and

²⁹ *ibid*, p 38.

³⁰ *ibid*, p 28.

superannuation funds held \$4 billion, or ten per cent, with the remainder in minor holdings.³¹

41. *As already noted, the growth of superannuation funds may be expected to lead to a shift of certain household financial assets into superannuation.*

42. The attractiveness of 'blue chip' equities, especially now that dividend imputation has been introduced, was alluded to by a number of witnesses. Rob Patton, of the Institute of Actuaries, informed the Committee that dividend imputation had the effect of reducing the tax on investment income of superannuation funds from 15 to somewhere between five and ten per cent. He estimated that the use of the imputation system had the potential to add one percentage point to investment yields.³²

43. Mr Don Mercer, from ANZ, stated that the relative attraction of equities in the midst of increases in superannuation funds would place some buying pressure on the best quality stocks (that is, those which have dividend imputation); however, he expressed some reservations about the rate at which the supply of high quality equities would grow and felt that this would depend on other initiatives, for example major programs of privatisation, occurring.³³

44. To the extent that it is possible that the growth of superannuation could lead to investment in blue chip equities at the expense of other investments, which are also needed if the economy is to experience balanced and dynamic growth, the Committee believes that trends in this domain should be monitored by Government.

Recommendation 3:

The Committee recommends that the Government monitor trends in changes in the investment portfolios of superannuation funds to enable appropriate judgements and decisions to be made about the extent of diversification.

³¹ *ibid*, p 38.

³² Evidence, p 20.

³³ Evidence, p 458.

Superannuation and Managed Funds³⁴

45. The proportion of superannuation funds invested through professional fund managers in June 1991 was just below the proportion of total managed funds (superannuation and all other managed funds) under professional management:

- \$41 billion or 53 per cent of superannuation funds and ADFs were invested through fund managers but this figure rises to 71 per cent when account is taken of the superannuation business of life offices;
- This compares to a figure of \$156 billion or 75 per cent of total managed funds invested through professional fund managers.³⁵

46. *It is reasonable to expect the proportion of superannuation funds invested through fund managers to rise with both the growth of superannuation funds and the increased levels of expectation of superannuation contributors with respect to fund performance.*

47. A limited number of firms control a large share of the total funds under management. Of the total superannuation funds, ADFs and life insurance offices under management, three managers control 46 per cent of these funds (amounting to \$10 billion or more of assets each), four managers control 21 per cent of the funds (amounting to \$5-10 billion of assets), nine managers control 19 per cent of the funds (amounting to \$2-5 billion), nine managers control nine per cent of the funds (amounting to \$1-2 billion), and 28 managers control five per cent of the funds (amounting to less than \$1 billion).

³⁴ A managed fund is any fund established for pooling money from investors to invest in financial and non-financial assets, for example:

- statutory funds of life insurance offices,
- superannuation funds and ADFs
- public unit trusts,
- cash management trusts,
- common funds, and
- friendly societies.

³⁵ Dene Baines and Suzanne Hartshorn *Managed Funds in Australia* in ABS *Australian Economic Indicators*: February 1992 Catalogue No. 1350.0 p xii. Note that this article states that 'approximately \$97 billion of superannuation money was invested through professional fund managers' [footnote to Table 1 in the article.] The figure of 71 per cent is calculated by dividing \$97 billion by \$137 billion, the latter being the total unconsolidated value of the superannuation business of life offices, super and ADFs (also shown in Table 1 in the article).

48. Of the total funds under management, five managers control 49 per cent of the total funds (the funds amounting to \$10 billion and above each), three managers control 12 per cent of the total funds (the funds amounting to \$5-10 billion), 16 managers control 29 per cent of the total funds (the funds amounting to \$2-5 billion), five managers control four per cent of the total funds (the funds amounting to \$1-2 billion), and 24 managers control six per cent of the total funds (the funds amounting to less than \$1 billion).³⁶

49. The Committee heard differing viewpoints about the impact of the growth of superannuation funds on the funds management industry. A number of witnesses agreed with Metway Corporation that the SGC, in conjunction with existing award superannuation arrangements, will lead to greater concentration of fund managers, with only a handful of very large funds controlling the bulk of superannuation assets. This could mean that poor investment decisions of a few large funds managers could have disproportionate consequences for the wider Australian economy. The already high concentration of funds management in the banking industry should be taken into account in assessing this assertion.³⁷

50. Another dimension to the concentration issue is that a few large fund managers could exercise enormous and undue influence on the stock market; whereas a capacity for superannuation funds to have access to smaller managers who have niche market expertise in small growth stocks would assist the capacity of medium sized firms to have access to stock market capital.³⁸

51. Expressing another view, AMP considers that the growth of superannuation will lead to new fund managers entering the market which would have the effect of increasing competition and possibly lowering management fees.³⁹ BT Australia Ltd observed that the degree of concentration in the superannuation industry is less than that in the banking

³⁶ ABS 'Concentration Table of Funds by Amount of Total Funds Under Management' and 'Concentration Table of Funds, by Amount of Super Funds, ADFs and Life Insurance Offices Funds Under Management' in Private Finance ABS 'Professional Fund Managers: Sources of Funds'.

³⁷ Metway Corp, sub no 117.

³⁸ InTech, sub no 244, p 1.

³⁹ AMP, sub no 120.

and other major industry sectors, and that vigorous competition exists between superannuation fund managers.⁴⁰

52. *It is not clear whether the growth of superannuation funds will increase the concentration of funds under professional management or result in anti-competitive practices which could result in lower investment returns for contributors. Therefore the Committee reiterates its recommendation in Safeguarding Super.*

Recommendation 8.3:

The Committee recommends that the TPC monitors the funds management industry to ensure that it remains open and competitive.

Superannuation and National Savings

53. The Treasury notes that:

... the impact of the SGC on national saving has the following components:

- an increase in net private saving due to
 - an increase in net private **superannuation saving**⁴¹ (measured as contributions plus earnings less fund payouts), partly offset by
 - a reduction in **other forms of private saving**;
- *plus* an increase in public saving due to
 - a reduction in **age pension outlays**, partly (and in early years more than fully) offset by
 - an increase in the cost of the **superannuation tax concessions**.⁴²

⁴⁰ BT Aust Ltd, sub no 105.

⁴¹ The Committee notes that evidence it has received indicates that these savings can be significantly diminished by increased charges, fees and taxation on contributions and fund income.

⁴² The Treasury, sub no SG 47, 11 May 1992, p 2.

54. The Treasury projections are 'derived from the results of simulations conducted, using the National Mutual Retirement Incomes Policy Model'.⁴³

The projections estimate that the SGL will increase saving in the form of private superannuation by about two per cent of GDP within fifteen years, increasing to more than 2.5 per cent of GDP by the year 2020, before levelling off. It is assumed that half of this increase in superannuation saving would remain in private sector saving. The net increase in private sector saving due to the SGL is therefore estimated to reach about 1¼ per cent of GDP in about 25 years from now ...

[In relation to public savings] the projected increase in the cost to the Budget of the tax concessions for superannuation, due to the implementation of the SGL ... is found to be of the order of 0.5 per cent of GDP. [If it is assumed that the alternative to the SGL is an increase in age pension benefits to the same level as the SGL target, that is, 40 per cent of pre-retirement income, then] pension savings are also found to be significant ... Until the year 2019 the cost of the additional tax concessions is found to exceed the alternative cost of achieving the Government's interim retirement incomes target [that is, increasing pensions]. However, in later years, the converse is the case.⁴⁴

55. In assessing the 'two alternative means of increasing the total value of retirement incomes to the Government's interim retirement income target: use of the SGL (and associated tax concessions) versus increases in the age pension', The Treasury notes that 'in years three to 29 of the projection the cost of the former exceeds the latter [whereas] the picture is reversed in subsequent years.. [In summary] the Budget balance begins to improve ... some 26 years after the SGL begins to phase in.'⁴⁵

56. *The assumptions by The Treasury about private and public savings arising from the SGC were the subject of considerable debate and have implications for the financial system, especially in relation to the manner in which the Government will obtain the revenue foregone by the additional cost of superannuation tax concessions for the foreseeable future.*

57. The Committee heard evidence supporting The Treasury's claim that the increase in superannuation funds would lead to an increase in the national savings ratio of between one and two per cent. BT Australia Ltd

⁴³ *ibid.*

⁴⁴ *ibid.*, pp 2,4, emphasis added.

⁴⁵ The Treasury, SG 32, 6 May 1992, pp 14-15.

made this claim, adding that such an increase over a decade was not unprecedented in Australian saving patterns.⁴⁶

58. The Reserve Bank admitted that it did not know whether 'aggregate saving is affected by changes in members' contributions':

In the Australian context, the argument essentially boils down to two sets of issues: the substitutability between superannuation and other forms of saving; and the effect of the superannuation system (including its interaction with other aspects of the retirement incomes system) on behaviour around retirement. The first question asks whether households offset rises in superannuation contributions by simultaneously reducing other forms of saving; the second asks whether they are likely to offset their current superannuation saving by reducing saving later in life.

On the first issue, there is generally thought to be some degree of substitutability between the different forms of saving, particularly for high income households. Provided this ability to be substituted is less than perfect, an enforced increase in private contributions would raise the private sector's saving rate, particularly if it brings in low income earners who would not otherwise have saved. Unfortunately the experience with award superannuation in the late 1980s cannot easily be used as a test case for this proposition, because it has not yet produced a significant lift in net contributions.

The second issue, concerning saving by those close to retirement age, has been raised as a matter of concern in several studies. These have pointed out that the interaction of the income tax system with means-testing of age pensions, creates extremely high effective marginal tax rates for those at or near retirement. These high marginal tax rates apply both to income earned prior to retirement, and to the income yielded by assets accumulated as self-provision for retirement (with the exception of the family home). Particularly for those in the middle income range or below, this is argued to have the effect of discouraging labour force participation in the ages around retirement, and encouraging the de-cumulation of assets in order to qualify for the age pension. The effects are exacerbated by the still-favourable treatment given to lump-sum superannuation benefits, which facilitate the phenomenon of 'double dipping'.

Without going into the detailed arguments for or against these propositions, it can be seen that some of the more obvious facts do seem consistent with such effects ...

[Pension-aged households appear to be reducing non-home assets in order to qualify for the age pension.] ... On the basis of such behaviour it could

⁴⁶ BT Aust Ltd, sub no 105.

plausibly be argued that higher current contributions by younger workers would, to a large extent, lead to higher dis-saving by those workers when they approach retirement, unless other aspects of the tax and benefits systems are also changed.⁴⁷

59. The Association of Superannuation Funds of Australia (ASFA) advised that increases in superannuation savings could lead to individuals reducing their other savings to offset any reduction in purchasing power which would otherwise arise. In the United States, this 'substitution effect' has been estimated to work in a way that for every \$1 of superannuation saving, a reduction of 60c of non-superannuation savings occurs. The effect of the superannuation savings is a net increase of 40 cents in personal savings. ASFA contended that, as most of the SGL-driven superannuation savings would be made on behalf of those on relatively low incomes who experience low saving ratios, the 'substitution' effect would be less pronounced.⁴⁸ The Life Insurance Federation of Australia (LIFA) was another organisation that recognised the existence of the 'substitution' phenomenon, however, its research reveals that, notwithstanding this increase in superannuation, national savings by 2030 will increase by at least one per cent, or \$5 billion in today's dollars.⁴⁹

60. Other submissions put to the Committee also commented on the uncertainty about the effect of the SGC on national savings. Whereas the South Australian Government postulated that national superannuation may simply change the composition of savings rather than increase aggregate savings, the AMP pointed out that some research studies do suggest savings will increase.⁵⁰ The ACTU asserted that the SGC will increase national savings which are urgently needed to finance a greater level of domestic investment and also to contain foreign debt.⁵¹

61. There is another way in which public savings may grow beyond the levels assumed by The Treasury. A consequence of the SGC legislation is that all governments are required to provide superannuation benefits for their employees; such schemes to take at least the minimum prescribed level of contributions under the SGC. As well, the new schemes are required to be portable, that is, to fully vest employer benefits even in the case of

⁴⁷ RBA, sub no 190, Edey et al, December 1991, pp 18-20.

⁴⁸ Sub no 89, p 37.

⁴⁹ Sub no 114, p 20.

⁵⁰ SA Government: Minister of Finance, sub no 122; AMP, sub no 120.

⁵¹ ACTU, sub no 106.

employees leaving before a minimum qualifying period (ten years in the case of NSW).

62. All State governments expressed concern about the cost of such extended coverage for their employees, with NSW for example stating that the full additional cost of the SGC to the State was \$236 million in 1992 rising to \$707 million in 2000.⁵²

63. In response to the new obligations imposed by the SGC, the NSW Government in August 1992, announced that it was closing its old superannuation schemes to new entrants and henceforth would pay only the SGC-prescribed level of contribution into the replacement schemes. In effect, NSW has moved from an unfunded to a fully funded superannuation scheme for all new employees and/or those not in one of its existing contributory schemes.

64. The new arrangements do not remove the NSW Government's liability to meet the payout benefits to its past and present employees, which liability is estimated at over \$14 billion.⁵³ But as these employees resign or retire from the public service, the liability will gradually reduce and no new unfunded liability will be incurred. This will mean that Budget outlays in the future will be reduced over what they otherwise would be.

65. *The Committee does not speculate on whether other governments will follow the lead of the NSW Government but notes that to the extent they do so, the public savings arising out the SGC will be greater than shown in The Treasury's estimates.* The final section of this report addresses in greater detail the matter of unfunded public sector superannuation.

Superannuation and the Long-term Interests of Contributors

The Role of Government

66. A second matter brought to the attention of the Committee concerns the implications for the financial system in the long-term in the event that some superannuation funds prove unable to deliver the level of benefits that

⁵² NSW Government: Minister for Industrial Relations, sub no 118.

⁵³ Australian Financial Review, 18 August 1992.

contributors expect and which those contributors believe have been guaranteed by the government.

67. The Committee's first report, *Safeguarding Super*, drew attention to the need for tighter and more extensive controls over superannuation funds. There remains the possibility that even when such controls are implemented, some superannuation funds in the future might, as a consequence of poor management or fraud, not be able to deliver the retirement benefits promised to contributors, leading to demands that the Government step in to make up any shortfall of retirement income. Such action would have implications for the financial system if for no other reason than its effect on Budget outlays.

The Role of Trustees

68. The Committee believes that trustees will play a critical role in ensuring that fund members receive appropriate levels of retirement benefits. Accordingly, it reiterates the recommendation in *Safeguarding Super* regarding the need to codify the duties of trustees, namely:

[that trustees should have a duty] ...

- to maintain a diversified portfolio unless members advise to the contrary;
- to maintain an appropriate level of liquidity;
- to limit the level of in-house investment;
- to keep proper accounts;
- to ensure the equitable treatment of members of superannuation funds;
- to inform members about matters materially affecting the fund;
- to seek independent legal, auditing, and actuarial advice;
- to avoid conflicts of interest; and
- to be personally responsible for the administration of the trust.⁵⁴

⁵⁴ *Safeguarding Super*, p 42.

69. In *Safeguarding Super*, the Committee made several recommendations designed to ensure that fraudulent actions do not detract from the accumulation of superannuation. The central component in these recommendations is the establishment of a prime regulator who will have powers to intervene and, if need be, prosecute those who commit crimes in the context of superannuation.

70. The Committee notes that it is critical that all superannuation providers come under the ISC when it is given prime regulator status. To this end, the Committee places on record its concern that friendly societies who are significant providers of superannuation products are currently covered by State legislation.

Recommendation 4:

The Committee recommends that the Government consult with the States to explore the possibility of the ISC becoming the prime regulator of superannuation products offered by friendly societies.

The Scope for Fraudulent and Criminal Activity.

71. The Committee's attention was drawn to a report of the National Crime Authority (NCA) which suggested that the insurance industry (which offers a range of superannuation products), as with any industry offering financial services, was capable of being utilised for money laundering.⁵⁵ Whilst that report acknowledges that the NCA inquiry had found few instances of money laundering, it suggested that the capacity could be used more frequently as the superannuation industry grows.

72. The Committee was advised by the Australian Bureau of Criminal Intelligence (ABCI) that it intended to conduct a strategic assessment of the possibility of organised crime as it may affect the superannuation industry.⁵⁶

73. The AMP commented that as superannuation funds grow, so will the scope for fraudulent and other criminal activity.⁵⁷ The Federal Bureau of

⁵⁵ NCA *Taken to the Cleaners: Money Laundering in Australia*, volume 1, December 1991. Also referred to in evidence given to the Joint Committee on National Crime Authority, 5 June 1992, p 55.

⁵⁶ Sub no 142.

⁵⁷ AMP, sub no 120.

Consumer Affairs made a similar comment, and recommended an inquiry into the potential vulnerability of superannuation funds to criminal penetration with a view to developing appropriate safeguards. The Bureau also considers it desirable to examine ways to bring all criminal conduct relating to superannuation within the purview of Commonwealth enforcement agencies.⁵⁸

Recommendation 5:

The Committee believes that the initiative of the ABCI in conducting a strategic assessment of superannuation is a forward looking one which warrants the full support of both the superannuation industry and relevant government regulatory and enforcement agencies. Accordingly, the Committee recommends that the Treasurer and the Attorney-General take steps to ensure that a thorough and systematic assessment is made. Further, the Committee recommends that, upon the completion of the assessment, an appropriate strategy to combat the entry of organised crime into superannuation be developed by the end of 1993.

⁵⁸ Attorney-General's Dept, sub no 107.

Superannuation and Unfunded Liabilities

74. Superannuation in the private sector is usually fully funded. Under this practice money is set aside by both employers and employees and invested to generate benefits for retirees. Table 4 shows new entrant contributions rates, which are estimates of the level of employer support needed to fully fund the employer financed benefit of a superannuation scheme, for public sector schemes in Australia. Most public sector schemes in Australia are unfunded or only partially funded; lump sum (except for those accumulated by member contributions), and pension payments pledged by the Government to retirees are usually made from current revenue. In other words, no fund exists into which the employer component is contributed as the superannuation liability to an employee arises. Table 5 lists the public superannuation liabilities.

		NEC – Old Schemes percentage	NEC – New Schemes percentage
Commonwealth	CSS	22.8	PSSS 15.4
	DFRDB	26.4	MSBS 21.1
State	Victoria	21.5	11.3
	New South Wales	21.5 ⁶⁰	14.0
	Queensland	14.5	14.5
	Tasmania	13.7	13.7
	Western Australia	22.0	12.0
	South Australia	18.9	12.0
	Northern Territory	not available	not available

Note: The unweighted average for old schemes is: 20.16%
 The unweighted average for new schemes is: 14.25%

⁵⁹ Parliamentary Library Research Service.

⁶⁰ NSW now provides SGC only cover, that is, four per cent, for its new employees.

		Liability \$ billion	Population million	Liability \$ per head
Commonwealth	CSS ^a	33.0 ^b	17.34	1 903.
	DFRDB	5.4 ^c	17.34	311.
State	Vic	18.0 ^d	4.43	4 063.
	NSW	14.1	5.90	2 390.
	Qld	3.0 ^e	2.97	1 010.
	Tas	1.8 ^f	0.46	3 913 ^g
	WA	3.9	1.67	2 335.
	SA NT	2.9 0.4	1.46 0.16	1 986. 2 500.

75. If these unfunded liabilities are allowed to grow at a rate commensurate with the national stock of superannuation assets, it is likely that governments will experience difficulty, especially in those years when demographic characteristics dictate that a high number of payouts occur

⁶¹ Parliamentary Library Research Service material, September 1992.

- a. Includes ACT, Telecom and Australia Post. However, like many government business enterprises, Telecom and Australia Post have now established separate fully funded arrangements.
- b. In the case of the Commonwealth, it is important to recognise that the direct liability of \$33 billion is an actuarial liability against which various offsets exist which essentially clawback much of the cost, that is, income tax and reduced social security payments. The real cost to the Commonwealth is much lower than the direct cost. The total offsets have an estimated value of approximately \$15 billion (or 45 per cent clawback of the direct liability) which leaves a past service liability (net of clawback) of approximately \$18 billion.
- c. The total offsets have an estimated value of approximately \$1.9 billion (or 35% clawback of the direct liability) which leaves a past service liability (net of clawback) of approximately \$3.5 billion. This amount does not include the past service liability in respect of retired, as opposed to active, members.
- d. Total liabilities are \$22.8 billion. Of the \$4.8 billion that has been unfunded, at least \$1.3 billion has been borrowed by Government to finance lump sum benefits in lieu of pensions.
- e. While technically unfunded, of the \$3.3 billion in consolidated revenue, \$3.0 billion is earmarked for superannuation. This arrangement avoids the Commonwealth's 15 per cent tax on contributions and earnings.
- f. The report of the Auditor-General of Tasmania, No 1 of 1992, on the Audit of the Public Account for the year ended 30 June 1992, indicates the liability is \$1.033 billion. The 1990/91 Budget reports the liability to be \$1.73 billion.
- g. Subject to adjustment to reflect 'f' above.

and/or a large number of former public servants are in receipt of a pension, in meeting these obligations in the context of tight budgetary conditions. To this end, it is in the interests of the Federal and State Governments to act to curtail this burgeoning debt. Should they be unsuccessful in this domain, it is likely that public sector borrowing will need to be expanded. Under this scenario, a link between pressure on interest rates and the growth of public sector superannuation debt could be established.

76. The pressure on interest rates could be further intensified if ratings agencies take superannuation debt into account in assessing credit rating for public sector borrowing activities. It follows that a higher risk rating will result in an expectation on the part of lenders that they receive even higher rates of return which would even further intensify pressure on interest rates.

New South Wales

77. The New South Wales State Government has recognised the problem of mounting superannuation liabilities and introduced a new superannuation scheme which is fully portable but offers significantly reduced benefits (arrangements are described in paragraphs 62 to 64 of this report).

Tasmania

78. Further recognition of the problem of unfunding recently occurred in Tasmania where the Auditor-General stated that that State's 'liability is very large and comparable in size to Net State Debt and has been increasing annually, which raises the fundamental question of why no provision is made to fund it'.⁶² The Auditor-General noted that 'as the liability tends to be reported in isolation from other liabilities, it is doubtful whether its effect on the States overall finances is fully appreciated'.⁶³

Victoria

79. A recent independent review of public sector superannuation in Victoria found that the liability stood at \$19 billion, compared to total State debt of \$56 billion. The report predicted that superannuation payouts would

⁶² Report of the Auditor General of Tasmania, September 1992, p 6.

⁶³ *ibid.* It should be noted that the reduction in unfunded liability from \$1.8 billion to \$1.03 billion is due to changed actuarial assumptions. Holding these new actuarial assumptions constant will lead to an increase in unfunded liabilities from year to year again. (Advice from the Auditor-General's Office, Tasmania.)

take up 8.5 per cent of State revenue in 2000 and by 2010 would peak at 12 per cent.⁶⁴

The Commonwealth

80. The Commonwealth Government superannuation liability was estimated by the Australian Government Actuary to be approximately \$33.3 billion. These unfunded liabilities relate to amounts that are payable to retirees over a period of 50 years. The Department of Finance advises that they are not amounts which the Commonwealth could be called on to pay at any one time. The amount is also subject to a 'clawback' to the Commonwealth as a result of taxation revenue from pensions and reductions in social security outlays which have been estimated at 42.6 per cent of gross costs for the CSS scheme and 31.6 per cent for the new PSS scheme.⁶⁵

81. The impact of past service liabilities on future Commonwealth public service salary costs is shown in Table 6 which shows that the current figure of 14 per cent will rise to a peak of 23.7 per cent in 2034-35.⁶⁶

⁶⁴ State Finance Victoria, *Independent Review of Victoria Public Sector Finances*, September 1992, chapter 6.

⁶⁵ Department of Finance, Answers to Questions on Notice by Senator Sherry – Estimates Committee B, 21 September 1992, p 3.

⁶⁶ *ibid.* Figures based on CSS scheme data. The new PSS and changed invalidity benefits access arrangements are expected to significantly reduce this figure.

Year	Estimated Cost Percentage	Actual Cost Percentage
1984-85	-	12.5
1985-86	-	12.6
1986-87	-	14.1
1987-88	-	16.9
1988-89	14.7	
1989-90	14.7	
1994-95	14.8	
1999-00	15.4	
2004-05	16.7	
2009-10	18.9	
2014-15	21.0	
2019-20	22.6	
2024-25	23.5	
2029-30	23.8	
2034-35	23.7	
2039-40	23.5	
2044-45	23.3	
2049-50	23.4	

82. The Department of Finance further advised Estimates Committee B that there is a crossover year somewhere between 2010 and 2015 when 'ingoings and outgoings would roughly correspond. That is, our liabilities and the ongoing cost of funding would be about equal ...⁶⁷

83. The Department was unable to give the Estimates Committee an idea of the projected level of liabilities because of difficulties in setting assumptions about the take-up of the new PSS scheme and elections regarding lump sum or pension payment options. The Department gave 1993 as the earliest date to begin making reliable projections.⁶⁸

Overseas Arrangements — Public Sector Superannuation

84. Overseas arrangements vis a vis funding of public sector superannuation provide some guidance for the development of policies in

⁶⁷ Answer to question from Senator Short, *Hansard*, Estimates Committee B, p 176.

⁶⁸ *ibid*, p 177.

Australia. The following material outlines the practices in Canada, Germany, New Zealand, South Africa, the United Kingdom and the United States of America in funding public sector superannuation.⁶⁹

Canada

85. Civil servants belong to a pay-as-you-go scheme. Employees of some corporations, for example, Manitoba Hydro and Manitoba Government Telephones, also come under the civil servants unfunded plan.

86. Both at provincial and federal level there are government bodies whose employees are not civil servants; for example Canadian National Railways, Air Canada, Atomic Energy of Canada, Canadian Broadcasting Corporation, Petroair, and at the provincial level, Hydro-Quebec and Ontario Hydro-Electric Corporation. They have their own pension plans and are required to conform to the provisions which apply to private corporations. This involves contributions determined by an actuary, periodical actuarial valuations, and funding and deficits over a prescribed period.

Germany

87. Retirement benefits for civil servants are provided on a pay-as-you-go basis. There is also no funding of benefits for employees of the Federal Railways and Postal Services. Electricity authorities, however, are set up as companies with the state or municipal authorities holding most of the capital. For pension provision they are of the same status as private companies. There is no statutory requirement for companies to fund their pension liabilities, but the most usual approach is the 'book reserve method'. This system developed soon after the Second World War to increase the supply of investment capital. Allocations to the reserve are tax deductible to the extent that they are actuarially justified. However, no allowance can be made for future salary increases in these calculations. Also it is compulsory, except for government institutions and public corporations, to insure against employer insolvency with a national mutual insolvency fund. A note must appear in the accounts stating what proportion of the company's pension liability is covered by the reserve.

⁶⁹ Provided by the Parliamentary Library Research Service. This material has been drawn from the NSW Public Accounts Committee Report No 10 of August 1984 *Superannuation Liabilities of Statutory Authorities*.

New Zealand

88. Government departments whose employees are paid a salary out of Consolidated Revenue pay their pension commitments in connection with the New Zealand Government Superannuation Scheme on a pay-as-you-go basis. However, trading departments are required by legislation to contribute to the Government scheme on a fully funded basis. Departments covered by this fully funded requirement include:

- Post Office
- Railways
- Government Life
- State Insurance
- Public Trust
- Energy and Works Department

89. Local authorities must contribute to the National Provident Fund in respect of their employees. It has an accumulation scheme and a 'Standard Scheme'. The latter is fully funded and guaranteed by the Government. It is bound by legislation covering private sector schemes and must meet usual funding standards.

South Africa

90. Private pension funds are subject to government supervision in South Africa. The main purpose of the *Pension Funds Act* is to ensure that funds' liabilities to members are funded at an acceptable pace of funding. The Registrar supervising pension funds will normally consider a fund financially unsound if the value of the assets is not at least 95 per cent of the value of the liabilities (allowing for future salary increases and pension increases). If special contributions designed to achieve this funding level within three years are planned, the financial position is normally acceptable.

91. Rule amendments involving retro active benefit increases will only be approved if there is a scheme of special contributions calculated to achieve this funding level within ten years. The aim is to permit retro active benefit increases to be introduced only in stages that can be afforded.

92. Some South African statutory authorities such as municipalities, Electricity Supply Commission, Water Boards, Iron and Steel corporation, SASOL, etc, have self administered pension funds which are subject to the full weight of the *Pension Funds Act* (just described) like any private sector fund.

93. Other public sector employers, like the Central Government, Provincial Governments, Universities, SA Railways, Council for Scientific and Industrial Research, SA Bureau of Standards, etc, have funds classified as 'official funds' which are exempt from the *Pension Funds Act*. However, they have their own individual acts and regulations. These subject them to much the same financial disciplines, including the need for funding, the need to have actuarial investigations from the time and to have reports tabled in Parliament. It is interesting to note that the requirement for an actuarial investigation of these official funds was temporarily suspended in 1976 but reintroduced when actual and proposed benefit improvements raised the question of whether contributions would still be adequate.

United Kingdom

94. The Civil Service, the Armed Forces, Police and Firemen have pay-as-you-go schemes. There are also some small public sector pay-as-you-go schemes.

95. Nationalised industries like the electricity industry are publicly-owned trading corporations. They operate commercially, have funded pension schemes, and produce accounts like any private sector company. Whatever applies to the private sector applies to them. Nationalised industries 'contract out' of their obligations under the national superannuation scheme as do many private sector companies, and they have to meet the contracting out requirements. These include a certificate from the actuary to the fund, provided every three years, concerning the solvency of the fund.

96. Local government administrative staff are covered by a fully funded national scheme which is required to have regular actuarial investigations. Teachers are employed by local authorities but their scheme is a national one. Local authorities are required to pay fully funded contributions to the central Exchequer which accepts responsibility for paying the benefits. A notional fund is set up for the teachers' scheme, that is, a fund whose assets are hypothetical government stock. The scheme is investigated by an actuary every three years and the necessary employer contribution rate assessed. The Health Authorities have a similar notional fund.

United States of America

97. Following the loss of pension rights after employer company failure and malpractice, legislation was passed in 1974 (ERISA) to secure members' rights, to provide minimum funding standards, to ensure benefits against the event of company failure, to provide for disclosure and reporting, and many

other matters. It is a complex piece of legislation. Every plan must have an actuarial investigation at least every three years. It is generally carried out every year. The minimum contribution to a plan must equal the cost of benefits accruing during the year on any reasonable basis, plus the annual cost required to amortise over a period of years prescribed in the Act, unfunded prior service costs, unfunded benefit increases, deficiencies, etc. However, these requirements do not apply to government owned entities.

98. The United States of America has a variety of public bodies owned by Federal, State and Local Governments. Some are financed by charges for service, some by government appropriations and some by both. Employees of such bodies who are not treated as civil servants belong to pension plans established by their employer. In some cases the plan documents specify the funding methods and the required amortisation of unfunded liabilities over a period of years. Generally the funding decision is made by the employer on the recommendation of the actuary. Only rarely is the funding requirement less than that prescribed above for private sector funds.

Conclusion — Public Sector Superannuation

99. *The Committee concludes that there exists considerable community concern about the implications of growing public sector superannuation debt. This concern centres on the fact that the nation's \$148 billion superannuation assets have a countervailing liability of approximately \$80 billion. If not properly managed the problem has the potential to considerably undermine essential State and Federal Government programs and place great strain on public sector borrowing activities.*

Recommendation 6.

As the Committee has not received sufficient evidence on the matter of unfunded public sector superannuation liabilities, and as it does not have the resources or time to carry out a far reaching investigation of the problem, it recommends that as a matter of urgency the Commonwealth Government convene a meeting of State Finance Ministers/Treasurers to develop a plan of action for addressing the problems posed by unfunded public sector superannuation liabilities.

APPENDIX A : LIST OF SUBMISSIONS RE ON-GOING INQUIRY

— IN NUMERICAL ORDER

Sub No	Name
No 1	Gynn, W J
No 2	Fisher F
No 3	Newman, C A
No 4	Liquor Trades Union, The
No 5	Perry, K F
No 6	Walsh, A
No 7	Buildings Union Superannuation
No 8	N E Renton & Associates
No 9	Serendip Publications
No 10	InterData Pty Ltd
No 11	Correspondence only
No 12	Trau, Dr J
No 13	McJannet, D
No 14	Davies, D
No 15	Garrett, P R
No 16	Samson, S W
No 17	Schwarz, D
No 18	Restuccia, V
No 19	Downs, B
No 20	Clayton Utz
No 21	Adams, G
No 22	Lucas, J M
No 23	Cartledge, O
No 24	Hearn, G
No 25	Foley, E
No 26	Civil Service Association of WA
No 27	Owens, E S & Co
No 28	Independent Schools Superannuation Trust
No 29	Burns, W G
No 30	In camera
No 31	ACT Council of Social Service Inc

-
- No 32 Hughes, D
No 33 Shell Superannuation Rights Committee
No 34 Australian Salaried Medical Officer Association
No 35 Australian Council of Social Service
No 36 Belshaw, W J
No 37 Smith, B
No 38 Boffa, G
No 39 Arthur Andersen & Co
No 40 Williams, T
No 41 Prudential Life Underwriters Association (NSW)
No 42 Nipper, M R G and Weeks, P L
No 43 Prudential Assurance Company Ltd
No 44 Retired Associate Members' Branch Public Service Association
of NSW
No 45 Myuna Pty Ltd
No 46 du Cros, N
No 47 Fisk, B
No 48 Trustee Companies Association
No 49 Australian Lifewriters Association
No 50 Australian Small Business Association
No 51 Long, P D
No 52 Knox, Professor D
No 53 Tribunal on Homosexuals and Discrimination
No 54 Chamen, P
No 55 Metal Trades Industry Association of Australia
No 56 National Association of Nursing Homes & Private Hospitals
Inc
No 57 Duesburys
No 58 Morgan Stockbroking Ltd
No 59 IOOF Australia
No 60 Non-Government Schools Superannuation Fund
No 61 Alexander Consulting Group, The
No 62 Metal Manufacturers Limited
No 63 National Australia Bank
No 64 Women's Action Alliance (Australia)
No 65 Chamber of Commerce & Industry of WA
No 66 Melbourne Metropolitan Board of Works (MMBW)
Employees' Superannuation Fund
No 67 Yann, R N
No 68 Secondary Colleges Staff Association
No 69 Ulverstone Chamber of Commerce
No 70 Belshaw, M
No 71 Wilson, The Hon Ian, MP

-
- No 72 Crouch, W G
No 73 ANZ Bank
No 74 Independent Insurance & Superannuation Agencies
No 75 Cooley, L M
No 76 Australian Finance Conference
No 77 Northern Territory Superannuation Office
No 78 Lee, W A
No 79 Mercer Campbell Cook & Knight Inc
No 80 Noble Lowndes
No 81 Commonwealth Department of Industrial Relations
No 82 Klumpes, Dr P J M
No 83 National Farmers Federation
No 84 WA Government Employees Superannuation Board
No 85 Australian Government Employees Superannuation Trust
No 86 Smith, A W J
No 87 Turner, M
No 88 White, B
No 89 Association of Superannuation Funds of Australia Ltd, The
No 90 Jacques Martin
No 91 CSA Consulting Group
No 92 Mansfield, G
No 93 Civic Securities Pty Ltd
No 94 Australian Retirement Fund
No 95 Australian Chamber of Manufactures
No 96 AM Corporation Ltd
No 97 Taxpayers' Association of Tasmania, The
No 98 County NatWest
No 99 **In camera**
No 100 National Mutual
No 101 Chifley Superannuation Services
No 102 Commonwealth Funds Management Ltd
No 103 Coles Myer Ltd
No 104 National Association of Personnel Consultants Ltd
No 105 Bankers Trust Australia Limited
No 106 Australian Council of Trade Unions
No 107 Commonwealth Attorney-General's Department
No 108 Institute of Actuaries of Australia, The
No 109 Retirement Benefits Office
No 110 Motor Inn & Motel Association of Australia, The
No 111 Langley-Bates, D
No 112 NSW Farmers' Association
No 113 Motor Trades Association of Australia (MTAA)
Superannuation Fund

-
- No 114 Life Insurance Federation of Australia Inc
No 115 WA Minister for Productivity and Labour Relations
No 117 Metway Corporation
No 118 NSW Minister for Industrial Relations
No 119 Australian Society of Certified Practicing Accountants and
The Institute of Chartered Accountants in Australia (joint
submission)
No 120 AMP
No 121 Hanson, Mr J H
No 122 SA Minister of Finance
No 123 Moon, G
No 124 Taxation Institute of Australia, The
No 125 Australian Pensioners & Superannuants Federation and
Combined Pensioners & Superannuants Association of NSW
No 126 Women's Economic Think Tank
No 127 Commonwealth Department of Social Security
No 128 Qld Director-General, Office of the Cabinet
No 129 Davey & Associates
No 130 Women's Electoral Lobby Australia Inc
No 131 de Visser, L
No 132 Westpac Banking Corporation
No 133 Griffin, P
No 134 Australian International Pilots Association
No 135 State Insurance Office of Victoria (SIO) Consumer Appeals
Centre
No 136 Australian Friendly Societies Association
No 137 Whittimore-Hull, J
No 138 Trades and Labor Council of Western Australia
No 139 Australian Federation of Consumer Organisations
No 140 Victorian Automobile Chamber of Commerce
No 141 Rothschild Australia Asset Management Limited
No 142 Federated Ironworkers' Association of Australia
No 143 Jacques Martin - Reply to Tasmanian Taxpayers
No 144 National Association of Nursing Homes & Private Hospitals
Inc
No 145 Trade Practices Commission
No 146 Shell Australia Contributory Pension Fund
No 147 Smith, Dr G F
No 148 Australian Association of Permanent Building Societies
No 149 Docker, A R
No 150 University of NSW Superannuation Economics Research
Group
No 151 Insurance and Superannuation Commission

-
- No 152 Commonwealth Department of Community Services & Health
No 153 Crawford, G J
No 154 Investment Funds Association of Australia Limited
No 155 Australian Taxation Office, Commissioner of Taxation
No 156 Langfield-Smith, I
No 157 Health Employees Superannuation Trust Australia
No 158 National Mutual - Nexis Proprietary Limited
No 159 Weijers, A J
No 160 Foster, W
No 161 Gierczycki, L M
No 162 Ramakrishnan, H
No 163 Permanent Trustee Company Limited
No 164 Industry Research and Development Board
No 165 Health Employees Superannuation Trust Australia Ltd (HEST)
No 166 Shell Superannuation Rights Committee
No 167 Shell Australia Contributory Pension Fund
No 168 Unity Action Group for Retired Persons
No 169 Crome, I
No 170 Campbell, B G
No 171 Knight, Dr J
No 172 Australian Council on Smoking and Health
No 173 Commonwealth Bank of Australia
No 174 Clothier, D P
No 175 Australian Government Employees Superannuation Trust
No 176 **In camera**
No 177 Selstay Pty Ltd
No 178 Mulhallen, J G & Sons (Vic) Pty Ltd
No 179 Armstrong, W J
No 180 Rutter, A
No 181 Australian Workers' Union
No 182 Sly and Weigall
No 183 **In camera**
No 184 **In camera**
No 185 SA Employers' Federation
No 186 Australian Securities Commission
No 187 Grey, P
No 188 Pacific Industrial Investments
No 189 CIG Employees' Superannuation Fund
No 190 Reserve Bank of Australia
No 191 Aitkin, J
No 192 Harrower E
No 193 Grace E
No 194 University of Melbourne, Dr Graham Smith

-
- No 195 Commonwealth Treasury
No 196 SBC Dominguez Barry Ltd
No 197 Financial Planning Association of Australia
No 198 Commercial and International Finance Consultants Pty Ltd
No 199 Australian Eagle Superannuation
No 200 Ellis, M
No 201 Moore, E J
No 202 Morley, B
No 203 Tindal, B
No 204 Shell Australia Limited
No 205 Tasmania Treasury
No 206 Mathews, S R
No 207 Humann, D
No 208 Human Rights and Equal Opportunity Commission
No 209 **In camera**
No 210 Colonial Mutual Investment Management
No 211 Pollard, D
No 212 Advance Bank
No 213 Blanchard, W
No 214 Moore, A
No 215 Wilson, R
No 216 Banner, C
No 217 Cogger, R
No 218 Poole, R
No 219 Kelberg, J
No 220 Toohey, J P
No 221 Tickner, B C
No 222 Ushay, F
No 223 C S Superannuation Pty Ltd
No 224 Craig, W
No 225 Voeth, K
No 226 Koeth, Dr
No 227 Australian Consumers Association
No 228 **In camera**
No 229 Norrish, Rex M & Associates
No 230 **In camera**
No 231 Richardson, G D & H D
No 232 Browne, T J
No 233 Australia Post Superannuation Scheme
No 234 Sayers, K
No 235 CBA Financial Services
No 236 Shilton, N
No 237 Gorringer, K

-
- No 238 **In camera**
 - No 239 Peppin Financial Centre
 - No 240 Skinner, A
 - No 241 Vere, P
 - No 242 ABCI
 - No 243 Abrahams, B
 - No 244 Intech Management Pty Limited, Mr Schaffer
 - No 245 Correspondence only
 - No 246 **In camera**
 - No 247 Bailey, R
 - No 248 Dewar, L
 - No 249 Greco, L
 - No 250 Mulray, K
 - No 251 Stevens, H
 - No 252 Negus, K
 - No 253 Brown, I
 - No 254 Ashfield, R
 - No 255 Greco, A
 - No 256 Allcock, L
 - No 257 Dukas, E
 - No 258 Jones, G
 - No 259 Emmenick, C
 - No 260 Friar, A
 - No 261 Pittaway, M
 - No 262 Housing Industry Association Limited
 - No 263 Allen Consulting Group
 - No 264 Cartledge, D

APPENDIX A : LIST OF SUBMISSIONS RE ON- GOING INQUIRY

– IN ALPHABETICAL ORDER

Sub No	Name
No 242	ABCI
No 243	Abrahams, B
No 31	ACT Council of Social Service Inc
No 21	Adams, G
No 212	Advance Bank
No 191	Aitkin, J
No 61	Alexander Consulting Group, The
No 256	Allcock, L
No 263	Allen Consulting Group
No 96	AM Corporation Ltd
No 120	AMP
No 73	ANZ Bank
No 179	Armstrong, W J
No 39	Arthur Andersen & Co
No 254	Ashfield, R
No 89	Association of Superannuation Funds of Australia Ltd, The
No 233	Australia Post Superannuation Scheme
No 148	Australian Association of Permanent Building Societies
No 95	Australian Chamber of Manufactures
No 227	Australian Consumers Association
No 35	Australian Council of Social Service
No 106	Australian Council of Trade Unions
No 172	Australian Council on Smoking and Health
No 199	Australian Eagle Superannuation
No 139	Australian Federation of Consumer Organisations
No 76	Australian Finance Conference
No 136	Australian Friendly Societies Association
No 85	Australian Government Employees Superannuation Trust
No 175	Australian Government Employees Superannuation Trust
No 134	Australian International Pilots Association
No 49	Australian Lifewriters Association

-
- No 125 Australian Pensioners & Superannuants Federation and
Combined Pensioners & Superannuants Association of NSW
- No 94 Australian Retirement Fund
- No 34 Australian Salaried Medical Officer Association
- No 186 Australian Securities Commission
- No 50 Australian Small Business Association
- No 119 Australian Society of Certified Practicing Accountants and The
Institute of Chartered Accountants in Australia (joint
submission)
- No 155 Australian Taxation Office, Commissioner of Taxation
- No 181 Australian Workers' Union
- No 247 Bailey, R
- No 105 Bankers Trust Australia Limited
- No 216 Banner, C
- No 70 Belshaw, M
- No 36 Belshaw, W J
- No 213 Blanchard, W
- No 38 Boffa, G
- No 253 Brown, I
- No 232 Browne, T J
- No 7 Buildings Union Superannuation
- No 29 Burns, W G
- No 223 C S Superannuation Pty Ltd
- No 170 Campbell, B G
- No 264 Cartledge, D
- No 23 Cartledge, O
- No 235 CBA Financial Services
- No 65 Chamber of Commerce & Industry of WA
- No 54 Chamen, P
- No 101 Chifley Superannuation Services
- No 189 CIG Employees' Superannuation Fund
- No 93 Civic Securities Pty Ltd
- No 26 Civil Service Association of WA
- No 20 Clayton Utz
- No 174 Clothier, D P
- No 217 Cogger, R
- No 103 Coles Myer Ltd
- No 210 Colonial Mutual Investment Management
- No 198 Commercial and International Finance Consultants Pty Ltd
- No 107 Commonwealth Attorney-General's Department
- No 173 Commonwealth Bank of Australia
- No 152 Commonwealth Department of Community Services & Health
- No 81 Commonwealth Department of Industrial Relations

No 127	Commonwealth Department of Social Security
No 102	Commonwealth Funds Management Ltd
No 195	Commonwealth Treasury
No 75	Cooley, L M
No 11	Correspondence only
No 245	Correspondence only
No 98	County NatWest
No 224	Craig, W
No 153	Crawford, G J
No 169	Crome, I
No 72	Crouch, W G
No 91	CSA Consulting Group
No 129	Davey & Associates
No 14	Davies, D
No 131	de Visser, L
No 248	Dewar, L
No 149	Docker, A R
No 19	Downs, B
No 46	du Cros, N
No 57	Duesburys
No 257	Dukas, E
No 200	Ellis, M
No 259	Emmenick, C
No 142	Federated Ironworkers' Association of Australia
No 197	Financial Planning Association of Australia
No 2	Fisher F
No 47	Fisk, B
No 25	Foley, E
No 160	Foster, W
No 260	Friar, A
No 15	Garrett, P R
No 161	Gierczycki, L M
No 237	Gorringe, K
No 193	Grace E
No 255	Greco, A
No 249	Greco, L
No 187	Grey, P
No 133	Griffin, P
No 1	Gynn, W J
No 121	Hanson, Mr J H
No 192	Harrower E
No 165	Health Employees Superannuation Trust Australia Ltd (HEST)
No 157	Health Employees Superannuation Trust Australia

No 24	Hearn, G
No 262	Housing Industry Association Limited
No 32	Hughes, D
No 208	Human Rights and Equal Opportunity Commission
No 207	Humann, D
No 30	In camera
No 99	In camera
No 176	In camera
No 183	In camera
No 228	In camera
No 230	In camera
No 184	In camera
No 246	In camera
No 238	In camera
No 209	In camera
No 74	Independent Insurance & Superannuation Agencies
No 28	Independent Schools Superannuation Trust
No 164	Industry Research and Development Board
No 108	Institute of Actuaries of Australia, The
No 151	Insurance and Superannuation Commission
No 244	Intech Management Pty Limited, Mr Schaffer
No 10	InterData Pty Ltd
No 154	Investment Funds Association of Australia Limited
No 59	IOOF Australia
No 90	Jacques Martin
No 143	Jacques Martin - Reply to Tasmanian Taxpayers
No 258	Jones, G
No 219	Kelberg, J
No 82	Klumpes, Dr P J M
No 171	Knight, Dr J
No 52	Knox, Professor D
No 226	Koeth, Dr
No 156	Langfield-Smith, I
No 111	Langley-Bates, D
No 78	Lee, W A
No 114	Life Insurance Federation of Australia Inc
No 4	Liquor Trades Union, The
No 51	Long, P D
No 22	Lucas, J M
No 92	Mansfield, G
No 206	Mathews, S R
No 13	McJannet, D

-
- No 66 Melbourne Metropolitan Board of Works (MMBW)
Employees' Superannuation Fund
- No 79 Mercer Campbell Cook & Knight Inc
- No 62 Metal Manufacturers Limited
- No 55 Metal Trades Industry Association of Australia
- No 117 Metway Corporation
- No 123 Moon, G
- No 214 Moore, A
- No 201 Moore, E J
- No 58 Morgan Stockbroking Ltd
- No 202 Morley, B
- No 110 Motor Inn & Motel Association of Australia, The
- No 113 Motor Trades Association of Australia (MTAA)
Superannuation Fund
- No 178 Mulhallen, J G & Sons (Vic) Pty Ltd
- No 250 Mulray, K
- No 45 Myuna Pty Ltd
- No 144 National Association of Nursing Homes & Private Hospitals
Inc
- No 56 National Association of Nursing Homes & Private Hospitals
Inc
- No 104 National Association of Personnel Consultants Ltd
- No 63 National Australia Bank
- No 83 National Farmers Federation
- No 100 National Mutual
- No 158 National Mutual - Nexis Proprietary Limited
- No 252 Negus, K
- No 3 Newman, C A
- No 42 Nipper, M R G and Weeks, P L
- No 80 Noble Lowndes
- No 60 Non-Government Schools Superannuation Fund
- No 229 Norrish, Rex M & Associates
- No 77 Northern Territory Superannuation Office
- No 112 NSW Farmers' Association
- No 118 NSW Minister for Industrial Relations
- No 27 Owens, E S & Co
- No 188 Pacific Industrial Investments
- No 239 Peppin Financial Centre
- No 163 Permanent Trustee Company Limited
- No 5 Perry, K F
- No 261 Pittaway, M
- No 211 Pollard, D
- No 218 Poole, R

-
- No 43 Prudential Assurance Company Ltd
No 41 Prudential Life Underwriters Association (NSW)
No 128 Qld Director-General, Office of the Cabinet
No 162 Ramakrishnan, H
No 8 Renton, N E & Associates
No 190 Reserve Bank of Australia
No 18 Restuccia, V
No 44 Retired Associate Members' Branch Public Service Association
of NSW

No 109 Retirement Benefits Office
No 231 Richardson, G D & H D
No 141 Rothschild Australia Asset Management Limited
No 180 Rutter, A
No 185 SA Employers' Federation
No 122 SA Minister of Finance
No 16 Samson, S W
No 234 Sayers, K
No 196 SBC Dominguez Barry Ltd
No 17 Schwarz, D
No 68 Secondary Colleges Staff Association
No 177 Selstay Pty Ltd
No 9 Serendip Publications
No 167 Shell Australia Contributory Pension Fund
No 146 Shell Australia Contributory Pension Fund
No 204 Shell Australia Limited
No 166 Shell Superannuation Rights Committee
No 33 Shell Superannuation Rights Committee
No 236 Shilton, N
No 240 Skinner, A
No 182 Sly and Weigall
No 86 Smith, A W J
No 37 Smith, B
No 147 Smith, Dr G F
No 135 State Insurance Office of Victoria (SIO) Consumer Appeals
Centre

No 251 Stevens, H
No 205 Tasmania Treasury
No 124 Taxation Institute of Australia, The
No 97 Taxpayers' Association of Tasmania, The
No 221 Tickner, B C
No 203 Tindal, B
No 220 Toohey, J P
No 145 Trade Practices Commission

-
- No 138 Trades and Labor Council of Western Australia
No 12 Trau, Dr J
No 53 Tribunal on Homosexuals and Discrimination
No 48 Trustee Companies Association
No 87 Turner, M
No 69 Ulverstone Chamber of Commerce
No 168 Unity Action Group for Retired Persons
No 194 University of Melbourne, Dr Graham Smith
No 150 University of NSW Superannuation Economics Research
Group
No 222 Ushay, F
No 241 Vere, P
No 140 Victorian Automobile Chamber of Commerce
No 225 Voeth, K
No 84 WA Government Employees Superannuation Board
No 115 WA Minister for Productivity and Labour Relations
No 6 Walsh, A
No 159 Weijers, A J
No 132 Westpac Banking Corporation
No 88 White, B
No 137 Whittimore-Hull, J
No 40 Williams, T
No 215 Wilson, R
No 71 Wilson, The Hon Ian, MP
No 64 Women's Action Alliance (Australia)
No 126 Women's Economic Think Tank
No 130 Women's Electoral Lobby Australia Inc
No 67 Yann, R N

APPENDIX B: LIST OF WITNESSES RE ON-GOING INQUIRY

WITNESS	Date of Appearance
Actuarial Consultant, Tribunal Working Group	21 February 1992, SYDNEY
Alexander Consulting Group Ltd	19 February 1992, SYDNEY
AM Corporation Limited	18 February 1992, SYDNEY
AMEV Life Assurance	10 April 1992, CANBERRA
Association of Superannuation Funds of Australia	21 February 1992, SYDNEY
Association of Superannuation Funds of Australia	18 February 1992, SYDNEY
Attorney-General's Department	24 February 1992, CANBERRA
Australian Society of Chartered Public Accountants	20 February 1992, SYDNEY
Australian International Pilots Association	19 February 1992, SYDNEY
Australian Pensioners Superannuants Federation	18 February 1992, SYDNEY
Australian Council of Social Service	6 March 1992, CANBERRA
Australian Small Business Association, NSW Division	19 February 1992, SYDNEY
Australian Finance Conference	20 February 1992, SYDNEY
Australian Securities Commission	6 March 1992, CANBERRA
Australian Lifewriters Association	10 April 1992, CANBERRA
Australian Federation of Business and Professional Women	25 March 1992, CANBERRA
Australian Federation of Consumer Organisations	10 April 1992, CANBERRA
Australian Banking Ombudsman	10 April 1992, CANBERRA
Australian Taxation Office	15 April 1992, CANBERRA
Australian Friendly Societies Association	25 March 1992, CANBERRA
Australian Council on Smoking and Health	10 March 1992, PERTH
Australian Association of Permanent Building Societies	6 March 1992, CANBERRA

Australian Workers Union	9 March 1992, ADELAIDE
Australian Retirement Fund Pty Ltd	11 February 1992, MELBOURNE
Bankers Trust Australia Ltd	19 February 1992, SYDNEY
Dr Owen Cartledge	6 March 1992, CANBERRA
Chamber of Commerce and Industry	10 March 1992, PERTH
Chifley Superannuation Services	18 February 1992, SYDNEY
Civil Service Association of WA Inc.	10 March 1992, PERTH
Clayton Utz Solicitors	18 February 1992, SYDNEY
Combined Pensioners and Superannuants of NSW Inc.	18 February 1992, SYDNEY
Superannuation Financial Services	
Commonwealth Bank of Australia	19 February 1992, SYDNEY
Commonwealth Funds Management Limited	6 March 1992, CANBERRA
Commonwealth Funds Management Limited	6 March 1992, CANBERRA
Mrs Lorna Cooley	13 February 1992, HOBART
County NatWest Australia Investment Management	10 February 1992, MELBOURNE
Mr Gary Crawford	10 March 1992, PERTH
Mr John Dermody	6 March 1992, CANBERRA
Federation of Industrial, Mechanical and Engineering Employees Comalco	13 February 1992, HOBART
Mr John Foley	1 April 1992, CANBERRA
Former Redundant Employees from West Australian Newspapers	10 March 1992, PERTH
Actuary, Godwins Australia Pty Ltd, and Consultant Metal Trades Industry Association of Australia	20 February 1992, SYDNEY
Government Employees Superannuation Board	10 March 1992, PERTH
Professor Robert Gregory	10 April 1992, CANBERRA
Mr Denis Hanley	10 April 1992, CANBERRA
Mr Graeme Hearn	10 March 1992, PERTH
Health, Housing and Community Services, Department of	10 April 1992, CANBERRA
HEST Australia Ltd	9 March 1992, ADELAIDE
Host-Plus	9 March 1992, ADELAIDE
Independent Schools Superannuation Trust	9 March 1992, ADELAIDE
Industrial Relations, Department of	25 March 1992, CANBERRA
Institute of Chartered Accountants in Australia	20 February 1992, SYDNEY
Institute of Actuaries of Australia	10 February 1992, MELBOURNE

Insurance and Superannuation Commission	30 March 1992, CANBERRA
Investment Funds Association of Australia Ltd	10 April 1992, CANBERRA
IOOF Australia	10 February 1992, MELBOURNE
Associate Professor David Knox	19 February 1992, SYDNEY
Mr Ian Langfield-Smith	10 February 1992, MELBOURNE
Mr Langley-Bates	12 March 1992, MELBOURNE
Mr William Lee	21 February 1992, BRISBANE
Life Insurance Federation of Australia	11 February 1992, MELBOURNE
Lifewriters Association	10 April 1992, CANBERRA
Liquor Trades Union	9 March 1992, ADELAIDE
Mr Julian Lucas	11 February 1992, MELBOURNE
Mr Garth Mansfield	6 March 1992, CANBERRA
Mercer Campbell Cook & Knight	10 February 1992, MELBOURNE
MMBW Employees Superannuation Fund	11 February 1992, MELBOURNE
Ms Gillian Moon	20 February 1992, SYDNEY
Motor Trades Association of Australia	10 April 1992, CANBERRA
Industry Superannuation Fund Pty Ltd	10 April 1992, CANBERRA
Motor Inn, Motel and Accommodation Association	20 February 1992, SYDNEY
Mr Clifford Newman	18 February 1992, SYDNEY
Myuna Pty Ltd	10 March 1992, PERTH
National Mutual Life Association of Australia	11 February 1992, MELBOURNE
National Mutual Life Association	1 April 1992, CANBERRA
National Superannuation Group, Arthur Andersen & Co.	21 February 1992, BRISBANE
National Association of Nursing Homes and Private Hospitals Inc.	19 February 1992, SYDNEY
National Farmers Federation	6 March 1992, CANBERRA
New South Wales Superannuation Office	19 February 1992, SYDNEY
Nexis Pty Ltd	13 February 1992, HOBART
Noble Lowndes Superannuation Consultants Ltd	11 February 1992, MELBOURNE
Occupational Health and Safety Training Unit Trades and Labor Council of Western Australia	10 March 1992, PERTH
Productivity and Labour Relations, Department of	10 March 1992, PERTH

Provident Fund, Comalco	13 February 1992, HOBART
Prudential Life Underwriters (NSW)	19 February 1992, SYDNEY
Prudential Assurance Co. Ltd	20 February 1992, SYDNEY
Public Service Association of New South Wales	20 February 1992, SYDNEY
Queensland Government Superannuation Office	21 February 1992, BRISBANE
Mr Nicholas Renton	10 February 1992, MELBOURNE
Reserve Bank of Australia	10 April 1992, CANBERRA
Retail, Commonwealth Bank of Australia	19 February 1992, SYDNEY
Retirement Benefits Office	6 March 1992, CANBERRA
Rothschild Australia Asset Management Ltd	10 February 1992, MELBOURNE
Mr Siegfried Samson	13 February 1992, HOBART
SBC Dominguez Barry Limited	19 February 1992, SYDNEY
SBC Dominguez Barry Ltd	10 April 1992, CANBERRA
School of Economics, University of NSW	20 February 1992, SYDNEY
Shell Australia Contributory Pension Fund	18 February 1992, SYDNEY
Shell Superannuation Rights Committee	18 February 1992, SYDNEY
Social Security, Department of	4 March 1992, CANBERRA
South Australian Superannuation Fund Investment Trust	9 March 1992, ADELAIDE
South Australian Treasury	9 March 1992, ADELAIDE
South Australian Employers Federation Inc.	9 March 1992, ADELAIDE
Superannuation Office, NT Government	10 March 1992, PERTH
Taxation Institute of Australia	20 February 1992, SYDNEY
Taxpayers Association of Tasmania	13 February 1992, HOBART
Trade Practices Commission, the Commissioner	4 March 1992, CANBERRA
Dr Jerry Trau	18 February 1992, SYDNEY
Treasury, Department of the	15 April 1992, CANBERRA
Trustee Companies Association of Australia	11 February 1992, MELBOURNE
Mrs Margaret Turner	13 February 1992, HOBART
Victorian Automobile Chamber of Commerce	11 February 1992, MELBOURNE
Westpac Banking Corporation	18 February 1992, SYDNEY
Mrs Beverley White	13 February 1992, HOBART

Mr Trevor Williams	9 March 1992, ADELAIDE
Honourable Ian Wilson, MP	9 March 1992, ADELAIDE
Women's Action Alliance	10 February 1992, MELBOURNE
Women's Economic Think Tank	20 February 1992, SYDNEY
Women's Electoral Lobby, Australia	25 March 1992, CANBERRA

APPENDIX C : LIST OF SUBMISSIONS RE SUPERANNUATION GUARANTEE LEGISLATION INQUIRY

– IN NUMERICAL ORDER

Sub No	Name
SG.01	Commonwealth Department of the Parliamentary Library, Parliamentary Research Service, <i>Superannuation Guarantee (Administration) Bill</i> Digest
SG.02	Australian Taxpayers' Associations
SG.03	NSW Coal Association
SG.04	Coles Myer Ltd
SG.05	Aged Care Australia Incorporated
SG.06	SA Treasury
SG.07	Queensland Mining Council
SG.08	National Association of Personnel Consultants
SG.09	Mercer Campbell Cook and Knight
SG.10	Mathews, S
SG.11	Metal Trades Industry Association of Australia (MTIA)
SG.12	ACROD Limited
SG.13	Institute of Engineers Australia
SG.14	Alexander Consulting Group, The
SG.15	Confederation of Australian Industry (CAI)
SG.16	Retailers Council of Australia
SG.17	State and Territory Governments
SG.18	Dixon, D
SG.19	Business Council of Australia (BCA)
SG.20	Association of Superannuation Funds of Australia (ASFA)
SG.21	Business Council of Australia (BCA)
SG.22	Gallagher, P (Policy Co-ordination Unit)
SG.23	Australian Council of Social Service (ACOSS)
SG.24	Women's Economic Think Tank & Women's Electoral Lobby
SG.25	Life Insurance Federation of Australia Incorporated (LIFA)
SG.26	Piggott, Prof J
SG.27	Commonwealth Treasurer: Letter to the Australian Taxpayers Association
SG.28	Queensland Mining Council

-
- SG.29 Australian Council of Trade Unions (ACTU)
SG.30 Commonwealth Treasury – 1 May 1992
SG.31 Commonwealth Treasury – 5 May
SG.32 Commonwealth Treasury – 6 May
SG.33 Australian Taxation Office – 4 May 1992
SG.34 Australian Taxation Office – 11 May 1992
SG.35 Australian Taxation Office – 11 May 1992
SG.36 Commonwealth Department of Industrial Relations –
4 May 1992
SG.37 Clayton Utz
SG.38 Piggott, Prof J (Superannuation Economics Research Group)
SG.39 Confederation of Australian Industry (CAI)
SG.40 Queensland Mining Council
SG.41 Noble Lowndes
SG.42 Pharmacy Guild of Australia, The
SG.43 C.S. Superannuation Pty Ltd [Booz Allen & Hamilton
(Australia) Limited]
SG.44 Thompson Douglas Butterell
SG.45 Australian Medical Association – Queensland Branch
SG.46 Australian Bankers Association
SG.47 Commonwealth Treasury – 11 May 1992
SG.48 Commonwealth Treasury – 29 May 1992
SG.49 Queensland Minister for Health
SG.50 Confederation of Australian Industry (CAI)
SG.51 Australian Council of Trade Unions (ACTU)
SG.52 Cradle Runways
SG.53 Mahon, M & V
SG.54 Teow, S
SG.55 Mac's Food Centres Pty Ltd
SG.56 Ostro Pty Ltd/Balga Cheap Foods
SG.57 Jenkins, R
SG.58 Supa-Valu
SG.59 Jamieson, L
SG.60 Office of the Treasurer
SG.61 Turner, P
SG.62 Queensland Retail Traders and Shopkeepers Association
(QRTSA)
SG.63 C.S. Superannuation Pty Ltd

APPENDIX C : LIST OF SUBMISSIONS RE SUPERANNUATION GUARANTEE LEGISLATION INQUIRY

– IN ALPHABETICAL ORDER

Sub No	Name
SG.12	ACROD Limited
SG.05	Aged Care Australia Incorporated
SG.14	Alexander Consulting Group, The
SG.20	Association of Superannuation Funds of Australia (ASFA)
SG.46	Australian Bankers Association
SG.23	Australian Council of Social Service (ACOSS)
SG.51	Australian Council of Trade Unions (ACTU)
SG.29	Australian Council of Trade Unions (ACTU)
SG.45	Australian Medical Association – Queensland Branch
SG.33	Australian Taxation Office – 4 May 1992
SG.34	Australian Taxation Office – 11 May 1992
SG.35	Australian Taxation Office – 11 May 1992
SG.02	Australian Taxpayers' Associations
SG.19	Business Council of Australia (BCA)
SG.21	Business Council of Australia (BCA)
SG.43	C.S. Superannuation Pty Ltd [Booz Allen & Hamilton (Australia) Limited]
SG.63	C.S. Superannuation Pty Ltd
SG.37	Clayton Utz
SG.04	Coles Myer Ltd
SG.01	Commonwealth Department of the Parliamentary Library, Parliamentary Research Service, <i>Superannuation Guarantee (Administration) Bill</i> Digest
SG.27	Commonwealth Treasurer: Letter to the Australian Taxpayers Association
SG.30	Commonwealth Treasury – 1 May 1992
SG.31	Commonwealth Treasury – 5 May
SG.32	Commonwealth Treasury – 6 May
SG.47	Commonwealth Treasury – 11 May 1992
SG.48	Commonwealth Treasury – 29 May 1992

-
- SG.36 Commonwealth Department of Industrial Relations –
4 May 1992
 - SG.15 Confederation of Australian Industry (CAI)
 - SG.39 Confederation of Australian Industry (CAI)
 - SG.50 Confederation of Australian Industry (CAI)
 - SG.52 Cradle Runways
 - SG.18 Dixon, D
 - SG.22 Gallagher, P (Policy Co-ordination Unit)
 - SG.13 Institute of Engineers Australia
 - SG.59 Jamieson, L
 - SG.57 Jenkins, R
 - SG.25 Life Insurance Federation of Australia Incorporated (LIFA)
 - SG.55 Mac's Food Centres Pty Ltd
 - SG.53 Mahon, M & V
 - SG.10 Mathews, S
 - SG.09 Mercer Campbell Cook and Knight
 - SG.11 Metal Trades Industry Association of Australia (MTIA)
 - SG.08 National Association of Personnel Consultants
 - SG.41 Noble Lowndes
 - SG.03 NSW Coal Association
 - SG.60 Office of the Treasurer
 - SG.56 Ostro Pty Ltd/Balga Cheap Foods
 - SG.42 Pharmacy Guild of Australia, The
 - SG.26 Piggott, Prof J
 - SG.38 Piggott, Prof J (Superannuation Economics Research Group)
 - SG.07 Queensland Mining Council
 - SG.28 Queensland Mining Council
 - SG.40 Queensland Mining Council
 - SG.49 Queensland Minister for Health
 - SG.62 Queensland Retail Traders and Shopkeepers Association
(QRTSA)
 - SG.16 Retailers Council of Australia
 - SG.06 SA Treasury
 - SG.17 State and Territory Governments
 - SG.58 Supa-Valu
 - SG.54 Teow, S
 - SG.44 Thompson Douglas Butterell
 - SG.61 Turner, P
 - SG.24 Women's Economic Think Tank & Women's Electoral Lobby

**APPENDIX D: LIST OF WITNESSES RE
SUPERANNUATION GUARANTEE LEGISLATION
INQUIRY**
(listed alphabetically under date of appearance)

Wednesday 6 May

Australian Taxation Office

- Mr Brian Nolan, Second Commissioner
- Mr Michael Monahan, Assistant Commissioner, Revenue Collection Systems
- Ms Diedre Gerathy, Assistant Commissioner, Personal Taxation

Insurance and Superannuation Commission

- Mr Ron Dean, Deputy Commissioner for Superannuation
- Mr Nick Stuparich, Assistant Commissioner, Compliance and Reporting
- Ms Wendy Robinson, Compliance and Reporting Branch
- Mr Donald Duval, Australian Government Actuary

Senator the Hon Bob McMullan, Parliamentary Secretary to the Treasurer and Manager of Government Business in the Senate

Treasury

- Mr Tony Cole, Secretary
- Dr Alan Preston, Deputy Secretary (Structural and Taxation)
- Dr Ken Henry, Principal Adviser (Taxation)
- Mr Alan Oster, Senior Adviser, Economics Division

Friday 8 May

Australian Council of Trade Unions

- Mr Iain Ross, Assistant Secretary
- Mr Mike McKay, Senior Industrial Officer

Business Council of Australia

- Mr Peter Wade, Chairman of BCA's superannuation task force and Managing Director, North Broken Hill Peko Ltd
- Mr Ray Stevens, Director, Mercer Campbell Cook and Knight
- Mr Clive Speed, Assistant Director, BCA

Confederation of Australian Industry

- Mr Ian Spicer, Chief Executive
- Mr David Nolan, Director

Metal Trades Industry Association

- Mr Grahame Willis, Director, Finance and Administration

Monday 11 May

Association of Superannuation Funds of Australia

- Mr Brian Scullin, Executive Director
- Mr David Shirlow, Director of Policy Research

Australian Bankers Association

- Mr Vernon Winley, Chairman, Industrial Relations Group, ABA, and Chief Manager – Employee Relations, Westpac Banking Corporation
- Mr Gordon Joseph, Superannuation Adviser, ABA, and Manager Superannuation Projects, Westpac Banking Corporation
- Mr Terry Cleal, Director, Industrial Relations, ABA

Australian Council of Social Services

- Ms Alison McClelland, Economic Policy Coordinator
- Mr Julian Disney, Policy Resource Coordinator

Australian Federation of Consumer Organisations

- Ms Jane Elix, Director

Australian Taxpayers' Associations

- Mr Eric Risstrom, AM

Block, Mr Ray (Convenor, Strategic Issues Forum Working Party Group, Committee for the Economic Development of Australia)

Coles Myer Ltd

- Ms Elise Callander, General Manager, Employee Relations

Dixon, Mr Daryl

Government of New South Wales

- Mr Ian Neale, Assistant Secretary, NSW Treasury
- Mr David McMahon, Director, Policy, NSW Superannuation Office

Government of Queensland

- Mr Dale Hennessy, Director, Government Superannuation Office, Qld Treasury
- Mrs Rosemary Vilgan, Manager, Research and Policy, Government Superannuation Office, Qld Treasury
- Mr Ian Macoun, Chief Executive, Qld Investment Corporation

Government of South Australia

- Mr Peter Emery, Chief Executive Officer, SA Treasury
- Mr Dean Prior, Principal Adviser, Superannuation Policy, SA Treasury

Knox, Associate Professor David (Actuarial Studies, Macquarie University)

Life Insurance Federation of Australia

- Mr Darren Davis, Assistant Manager – Operations
- Mr John Maroney, Superannuation Committee Convener

NSW Coal Association

- Mr Frank Topham, Government Affairs Manager
- Mr Denis Porter, Director, Economic Affairs

Piggott, Professor John (Director, Superannuation Economics Research Group, University of NSW)

Retailers Council of Australia Ltd

- Mr Laurie Eakin, Executive Director

Womens' Economic Think Tank

- Eva Cox, Senior Associate

Wednesday 3 June 1992

Australian Council of Trade Unions

- Mr Iain Ross, Assistant Secretary

Australian Small Business Association

- Mr Peter Boyle, National Director

Business Council of Australia

- Mr Clive Speed, Assistant Director

Confederation of Australian Industry

- Mr David Nolan, Director
- Mr Stephen Kates, Chief Economist

Metal Trades Industry Association

- Mr Grahame Willis, Director, Finance and Administration