

**Senate Select Committee on
Superannuation and Financial Services**

**Main Inquiry
Reference (a)**

Submission No. 126

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Sen. John Watson
Member Superannuation Committee
Parliament House
Canberra.

Dear John,



Superannuation:

I am writing to you following the report on Superannuation on the SBS Insight program of 26/4/01 that raised concerns on the control of investment and also identified you as a member of the superannuation review committee.

The following is a proposal for the future of superannuation.

Superannuation

My proposal is to form a **national superannuation board (NSB)**, which would administrate all superannuation and aged pension payments.

General conditions proposed are

1. All superannuation funds (SF), including private funds must be registered with the NSB.
2. The NSB would underwrite all funds and audit each SF annually. Funds found to be managed incompetent and/or unable to provide a guarantee of funds may be dissolved and the funds transferred to another provider.
3. The Federal Government shall be responsible for auditing/oversceing the operation the NSB.
4. The NSB shall be underwritten by the SF's and Federal Government (as Share holders) on a pro rata basis in line with their contribution.
5. SF's and Federal Government would elect membership of the NSB board as shareholders representing the contributors and retirees.
6. Each SF would be required to invest in the NSB, 15 to 20% of their funds held – adjustment to be made within two months of the audit date.
7. The SF would transfer, the Lump Sum payment of a person retiring, to the NSB for the NSB to administer. The funds transferred would be part of the NSB funds and no longer count as part of the original SF funds.

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8. Individuals may make a lump sum contribution to NSB, to increase their superannuation fund level at retirement or at any time thereafter. There should be no limit to the amount that can be contributed.
9. The retiree would not be entitled to a lump sum payout from SF or NSB funds.
10. The NSB fund would pay the retiree their entitlement pension inclusive of all extras e.g. medical.
11. The pension payable would be based on a formula relating to the value of the lump sum received by the NSB fund and the options of extras the retiree may select.
12. Payments would be indexed annually against a standard (say % movement in avg. wages) for payments after the retiree reaches the age of 65. Person retiring prior to age 65 would not have their payments indexed until they reach age 65.
13. The retiree or his/her partner (at the time of retirement) shall receive the full payments (or a major % say 80%) whilst ever either may live subject to eligibility rules to avoid abuse of the system. E.g. eligibility for payment subject to rules relating to length of the relationship etc.
14. The payments will cease on the death of the retiree and his/her partner. Any residue in the account will remain with the NSB fund. The NSB may make a contribute to the funeral and settling of the estate.
15. Extra options include medical card etc. currently available to aged persons. The fund may be able to provide varying levels of coverage at different rates. The NSB would cover all the cost associated with providing medical services for the aged from their funds. This would remove the requirements for Medicare to fund aged persons.

WIN-WIN-WIN Benefits

1. The scheme would guarantee payments of/for individuals to the superannuation funds, i.e. secure the funds invested, and would ensure that companies and governments would not be able to withhold payments.
2. The auditing of funds would ensure that the fund managers are competent to manage the funds.
3. People in their own business may contribute a lump sum from the sale of their business on retirement.
4. Professional managers, removing the need for individuals to manage their own fund, would manage funds.
5. Retirees would have a steady income. This will allow them to budget for special items or even borrow against the income and current assets for that special trip, house repairs etc.
6. In the event that the contributor to the superannuation scheme dies before their partner, their partner would have financial certainty.
7. The NSB may establish special services for the retirees, e.g. Retirement Villages, Medical centers, lease public hospital beds, etc. This should see a substantial reduction in the

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government's contribution to medical expenses and aged care costs. This aspect may need to be phased in over say 10 to 15 years.

8. The future generations of taxpayers would be relieved of the increase tax burden to fund aged care.

How can the NSB further benefit Australia?

Sale of Telstra

The sale of the remaining part of Telstra to NSB.

The sale of Telstra should benefit those who contributed to its development – ie the past taxpayers, now retired or close to retirement.

The sale could be made at 10% of the company annually for 5 years. The price would be set at a weighted value of shares traded at the period prior to the sale date each year.

The NSB will become a major investor. Projects which may be considered includes

1. Re afforestation using carbon credits in the short term and timber recovery in the long term.
2. Turn the wastewater of the major cities e.g. Sydney inland to supplement existing inland water supplies and to accelerate their tree growth and increase rural opportunities. The future of Australia's population is limited on its water supply. It's criminal (that the wastewater from the coastal cities is pumped into the ocean (from a controlled system) after one use to grow sea grasses whilst the inland grasses wither. NSB could obtain return on investment by charging for treating the wastewater and then selling it.
3. Underwrite telecommunication infrastructure both for the city and the bush and hence allow for the expansion of services and opportunities for development. Return obtained by leasing of the lines. The development of the bush will require the development of regional centers to consolidate populations and hence access to services become critical.

My suggestions are designed to improve the lot of Australians by providing a secure financial base for retirees whilst reducing the future burden on Governments and taxpayers whilst providing a basis for the long-term development of Australian resources.

I am prepared to offer any further assistance should you require it.

Sincerely,

Ian Young