

Manager, CIPRs
Retirement Income Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

2/06/2018

Dear Sir/Madam,

Retirement Income Covenant Position Paper

It is 63 years since I started my working career in the Head Office of AMP's Investment Division as an investment analyst. I was ejected from AMP in 1978 following pressure from its sales arm which did not like my opposition to the continuing sale of "front end loaded" life insurance policies to provide superannuation benefits, and to other proposals for change to AMP's business model. Some 25 years later whilst sharing morning tea at the home of the former Deputy Chairman he told me of a discussion he had with the former AMP Chairman where the former Chairman said "AMP has lost its way" and "all those years ago, Bill Jocelyn was right and we were wrong".

You will understand that I feel some satisfaction in the fact that the AMP sales culture is having its nature revealed at the hands of the Banking Royal Commission.

Throughout the remainder of my working career I maintained my interest in Superannuation and investments. In fact in 1978 following departure from AMP and after discussion with "Tig" Melville the Life Insurance Commissioner, I designed and introduced to the market an investment linked policy which later morphed into what became the allocated pension. Even now I run my own self managed superannuation fund.

Although I had been looking forward to reading the "Retirement Income Covenant Paper", I was disappointed with its focus on annuities and their provision by third parties. A better focus would be on "Reversionary Market Linked Pensions" amended to focus primarily on a maximum term equal to the difference between the age attained of the reversionary beneficiary (if one exists) and age 105 whilst retaining the 20% margin between low and high levels of payment. An approach along these lines would address the longevity risk and with continuing advice from the Trustees, make it possible to produce a reasonably stable continuing pension payment. This sort of approach would avoid the need for third party involvement including Annuity providers and Actuaries. Rather obviously it would reduce expenses, thus increasing the moneys available to pay pensions.

Taking a longer term view, it is probable that Governments will eventually realise that eliminating tax concessions on superannuation savings and introducing a "Universal Basic Income" approach with reliance on consumption taxes rather than income tax would remove the need for corporate tax and would result in the need to reintroduce inheritance taxes and tax on overseas remittances. Individuals with surplus income would still save to supplement the Universal Basic Income in retirement.

The "Universal Basic Income" approach was proposed by the great Thomas Payne back in the late 1700s, so "don't hold your breath waiting".

Yours sincerely,

Bill Jocelyn