

Labor shuns transparency for super or for unions

BY: KEN PHILLIPS

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EVERY Australian with money in a big superannuation fund should be concerned about what's happening to their retirement nest egg. They should be worried for one reason: funds don't fully disclose what they're doing with the money. This would probably surprise most Australians.

There's more than \$1 trillion sitting in superannuation funds. More than half is with the big funds. About \$230 billion is in 67 industry funds. These are run and controlled by partnerships of unions and employer association. Another \$350-plus billion is in 154 retail funds operated by large concerns, such as AMP.

What's significant with these big funds is that the Australians with money in them have no control over how the money is used. Instead, small numbers of individuals control these billions. For example it's been identified that just 12 people hold directorships or executive positions where they control \$188bn of industry fund assets.

Superannuation is compulsory. It should be expected that total disclosure and transparency by the people who control the funds is required at law. Yet this is not the case. To a large degree the system operates on "trust us!"

Some Australian super funds voluntarily disclose a fair bit, but none to an international standard. Others have close to zero disclosure. The industry (union) funds have the lowest levels of disclosure by a big margin compared with retail funds.

Australian funds compare badly with overseas funds. One of the largest superannuation funds in the world is CalPERS. With more than \$US200bn (\$193bn) in deposits, it manages superannuation for California's public sector employees. Go into the CalPERS website and it's possible to find almost anything about what's happening to CalPERS money.

There are extensive listings of every shareholding at purchase and current price. The same applies to all property holdings and so on. On the expenses side, almost nothing is undisclosed. Even the cost of airfares and accommodation for the CalPERS chairman to attend conferences is displayed. Is any of this level of disclosure required of Australia's superannuation funds? No. The law requires none of this.

Last year the federal Labor government received the recommendations from the most sweeping review of superannuation yet undertaken. The Cooper review called for significant requirements of disclosure to be imposed on the superannuation funds. Labor's response has been to sweep aside hardcore disclosure requirements.

Take these examples.

Cooper said that a standardised disclosure format should be developed showing gross investment returns, costs and taxes and the number of quarters of negative investment returns. Investment option performance tables should be easily accessible on fund's websites. Funds should be required to disclose their complete portfolio holdings on a six-monthly basis. The list goes on.

Overall, wherever the recommendations pushed for the compulsory disclosure of hard information the government has said it "supports improved disclosure requirements but will consult with relevant stakeholders on design and implementation issues." This sounds like delay and a brush-off.

Total transparency of superannuation funds' activities and outcomes is central to the integrity of the system and workers' confidence in it. The Cooper recommendations called for what is done overseas and what happens in most non-superannuation funds in Australia.

But in the superannuation reforms recently announced by Assistant Treasurer Bill Shorten, the only new disclosure requirement is for the voting behaviour of trustees to be declared on fund websites. That's inadequate for proper transparency.

Why would a Labor government not immediately require of the funds compulsory disclosure to the highest levels? The Cooper review recommended this. The funds should meet international standards. The billions in the funds do not belong to the small numbers of individuals who control and run them. The money belongs to the workers. Labor is supposed to protect workers!

It's hard to avoid a suspicion that Labor culture and practice has something against disclosure. Look at what happens inside unions. Unions collect somewhere around a billion dollars in worker dues each year. What's the level of disclosure there? Again, like the superannuation funds, it's inadequate.

If disclosure is poor the risk of misappropriation of monies is high. Allegations that the ex-leader of the Health Services Union paid for prostitutes with union funds is an example. Sometimes people in positions of power will do the wrong thing if they think there's a low risk of being caught. High transparency and disclosure is an essential safeguard against this. Australian workers deserve this safeguard.

Superannuation funds should have forced on them levels of transparency and disclosure that exceed that required of publicly listed corporations. The Cooper review provided the government with a template for action. They should activate superannuation fund transparency immediately.

Ken Phillips is executive director of Independent Contractors Australia. www.contractworld.com.au