



ASIC

Australian Securities & Investments Commission

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Ms Jenny Wilkinson
Division Head
Retirement Income Policy Division
The Treasury
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Dear Ms Wilkinson

Objective of Superannuation

I refer to the Government's Objective of Superannuation Discussion Paper dated 9 March 2016 (**Discussion Paper**) seeking feedback on the objective of superannuation recommended by the Financial System Inquiry (FSI).

In response to the FSI, the Government agreed to develop and introduce legislation to enshrine the objective of superannuation. We understand that feedback provided in response to the Discussion Paper will help guide the final decision on the objective to be legislated, which will serve as a guide to policy-makers, regulators, industry and the community about superannuation's fundamental purpose.

ASIC is grateful for the opportunity to make a submission on this important issue.

ASIC's role

ASIC is principally responsible for the regulation of conduct and disclosure obligations of superannuation trustees in Australia. For example, ASIC can take action against trustees if they provide misleading information to consumers, or if they fail to handle consumer complaints within statutory timeframes.

As the conduct and disclosure regulator, ASIC's role primarily concerns the relationship between trustees and individual consumers. ASIC aims to ensure consumers receive effective disclosure, are dealt with fairly by qualified people, continue to receive useful information about their investment or product and can access proper complaints-handling procedures. Promoting confident and informed investors and financial consumers is one of ASIC's strategic priorities.

The introduction of legislated superannuation objectives (such as the subsidiary objective of alleviating fiscal pressures on Government from the retirement income system) highlights the increased expectation on people to plan for their own retirement and therefore further emphasises the need for consumers to have access to

trusted and impartial educative resources to inform decision making. ASIC, by leading the National Financial Literacy Strategy, could play a role in this regard.

ASIC feedback

We provide the following comments about the objective of superannuation for your consideration:

1. We support the idea of setting objectives for superannuation and consider that any objectives should also provide an appropriate reference point for future reforms. This overarching objective might be supported by some points to which people should refer or have regard to when considering the objectives of super.
2. We broadly support the primary objective (*To provide income in retirement to substitute or supplement the Age Pension*), however, we would highlight that:
 - a. the use of the term 'income' may be too specific and may be seen to preclude other benefits provided by superannuation such as lump sum benefit payments and insurance. This could be alleviated by using a different term in place of 'income', such as 'benefits'.
 - b. the focus on retirement may be overlooking other aspects of superannuation in the accumulation phase, such as insurance.
3. Our experience suggests that most people rely in some way on the age pension. We consider it may be worth acknowledging this reliance in the objectives. In light of this reliance, we would also support swapping the order of 'substitute' and 'supplement' in the primary objective as that would shift the focus more towards super working in conjunction with the age pension, not as a substitute. For many people, it may be unrealistic to think about super being a substitute for the age pension.
4. The Government has indicated that superannuation should not be about inter-generational wealth transfers. However, the current superannuation system, in its provision of payments through life insurance to dependants, does appear to acknowledge that there is more to super than just the benefit to the individual member. In these circumstances, we think there may be a need to refer to dependants in the objectives in some way.
5. In assessing the superannuation system and setting appropriate objectives, having regard to what an 'adequate' retirement would be is critical. It will vary depending on the needs/wants of an individual but the Government may need to form a view on an appropriate amount (for example in considering when tax concessions cut out). Superannuation is only part of the way that a person provides for their retirement and the interaction with voluntary savings is important as well.
6. Adequacy is also connected with concepts of sustainability (for example, what is sustainable in terms of lifestyle for a member over the longer term).

However, the retirement system needs to be sustainable in itself and this needs to factor in thinking about areas like age care, or health services.

7. We support references to increasing national savings as this is an important part of the current system, both for consumers but more broadly for the sustainability of investments in this country.

Thank you once again for the opportunity to make a submission to the Treasury.

If you have any queries, or would like to discuss this matter further, please contact Ms Alex Purvis, Senior Manager, Investment Managers and Superannuation on (03) 6235 6828.

Yours faithfully



Gerard Fitzpatrick
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