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Do you agree with the objectives recommended by the FSI? Why?

The primary objective should be expanded to include the following:

- 1 to provide benefits to dependants of a member in the event of the death of a member before retirement
- 2 to provide benefits in the event of cessation of an occupation or employment on account of ill health
- 3 to provide money to finance either homecare or institutional care after retirement.

An income level that is adequate in retirement for a healthy person may be totally inadequate in the event that the retiree needs expensive care after retirement. The government has recognised that substantial savings of government expenditure can be achieved if old people can be supported in their homes rather than in an aged care facility. For this reason, the superannuation fund balance of a retiree may need to be more than what appears necessary to support a comfortable lifestyle in retirement.

If you do not agree with the FSI recommendation, what do you think should be the objective of superannuation? Why? What are the implications of this objective?

See above.

The subsidiary objective stated as "Facilitate consumption smoothing over the course of an individual's life" could be more simply stated as "Helping people to save for their retirement".

In which piece of legislation should the objective be legislated and why?

The Superannuation Industry (Supervision) Act 1993 and regulations under that act contain the rules that apply to all complying superannuation funds i.e. all funds that benefit from the superannuation concessions under the income tax legislation. Section 62 of that act sets out the purposes for which a regulated superannuation fund must be administered and maintained. If the superannuation legislation is to be simplified it is that Act and regulations that need to be amended.

Note that the Financial System Enquiry Final Report contained some criticism of one of the exceptions to the limitations on borrowing by superannuation funds contained in section 67A of the Superannuation Industry (Supervision) Act 1993 (limited recourse borrowing arrangements)

Yours faithfully

Jim Richardson