



6 April 2016

Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email to: superannuationobjective@treasury.gov.au

Dear Madam/Sir

Objective of Superannuation

SISFA welcomes the opportunity to make a submission to the Treasury in relation to the "Objective of Superannuation" Discussion Paper dated 9 March 2016 ("Discussion Paper").

We are also pleased to have participated in your one-on-one consultations in Sydney and Melbourne on 31 March and 5 April respectively, which we felt were particularly constructive.

SISFA's response to the questions for consultation

To confirm and reinforce the feedback we provided at the face to face consultations mentioned above, our responses to the questions for consultation in the Discussion Paper:

- Do you agree with the objectives recommended by the FSI? Why?
- 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?
- In which piece of legislation should the objective be legislated and why?

are as follows.

- At the outset, SISFA does not totally agree with the Government's acceptance of the FSI recommendation. This is on the basis that superannuation, being only one of the retirement income policy pillars, should not be dealt with in isolation. In this regard, we are very much encouraged by your advice that Treasury's Retirement Income Policy Division now incorporates all facets (income tax, superannuation, social security).
- However, respecting the Government's decision, our position on the proposed primary objective is that its wording and intent thereof is too narrow by the reference to the Age Pension.



- This necessarily introduces a cause to debate the objective/purpose of the Age Pension, and the interaction of it with superannuation and taxation, which is desirable but acknowledged to be beyond the scope of the present consultation.
- The proposed primary objective is misdirected in that it presumes the Age Pension comes first, with superannuation a replacement or top-up measure.
- The Age Pension is a safety net framework, and so our preference for the objective of superannuation is to be self-reliance in retirement through the compulsory regime and voluntary savings. The Age Pension should be the fall-back position, not the starting point.
- Any objective must be aligned with the already entrenched purpose of superannuation as currently set out in section 62 of the Superannuation Industry (Supervision) Act 1993 (the sole purpose test). We are concerned that the Discussion Paper does not achieve this, with the statement that “superannuation is meant to help fund a person’s retirement, it is not for unlimited wealth accumulation or bequests” at odds with the death benefits provisions under the section 62 provisions mentioned above.
- Lastly, we consider that any proposed objective reside in a new and separate Act and operate on a similar basis to the human rights compatibility statement framework currently in place.

Once again, we appreciate the opportunity to contribute to your consultation process.

Yours sincerely

Michael Lorimer
Director, Government and Industry Relations