



12 April 2016

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

**By email to:** [superannuationobjective@treasury.gov.au](mailto:superannuationobjective@treasury.gov.au)

Dear Madam/Sir

### **Objective of Superannuation – Supplementary Submission**

Thank you for affording us the opportunity to make a further submission to the Treasury in relation to the “Objective of Superannuation” Discussion Paper dated 9 March 2016 (“Discussion Paper”).

This further submission is to be read with our original submission dated 6 April 2016 and has been prepared in direct response to your request coming out of our meeting with you in Melbourne on 5 April for SISFA’s preferred wording of the primary objective of superannuation.

#### ***SISFA’s view on the objectives of superannuation***

As stated in our original submission, our view is that the proposed primary objective adopted in the Discussion Paper:

*To provide income in retirement to substitute or supplement the Age Pension*

is too narrow with undue emphasis on the role of the Age Pension.

SISFA considers that the role of superannuation is to achieve greater self-reliance of taxpayers in their retirement/senior years through a combination of compulsory and voluntary savings.

Accordingly, SISFA’s preferred wording for the primary objective of superannuation is:

***To promote and achieve self-reliance of taxpayers throughout their retirement/senior years by delivering sufficient income attained through a combination of compulsory and voluntary savings.***

To aid with further consideration of the primary and subsidiary objectives of superannuation set out in the Discussion we offer the following comments:

- The principle of superannuation policy must be central to the fundamental relationship between government and its people. It must become the security for the Australian society, bonding the government, employers, self-employed, employees and retirees in a productive and robust relationship.
- Superannuation policy must give equal opportunity to all people wishing to participate and ensure that everyone receives the same incentive from legislation.



SELF-MANAGED INDEPENDENT SUPERANNUATION FUNDS ASSOCIATION

- The legislative and regulatory framework of funds must be the responsibility of an independent commission and provide certainty by being excluded from the annual Treasury budget process.
- Superannuation policy must be adaptable, meeting the changing needs of people without losing sight of its core purpose—that is, the provision of a sufficient retirement income to ensure a smoothing of lifetime consumption, providing an equitable balance of wellbeing between the retired and non-retired sectors of the population.
- Employees should be compelled or actively encouraged to make contributions to supplement compulsory employer superannuation support.
- People must be encouraged to work to the capacity of their ability. Regulations, such as age restrictions, must not stymie those wishing to continue in paid employment. This will be of significant importance as our ageing population increases. At the same time, employers and businesses alike must be given incentives to retain the services of older Australians, appreciating what they have to offer.
- Individuals must be encouraged by superannuation policy to have choice and consequently participate in the investments that will allow for the growth of their assets.
- Good superannuation policy will ensure that there will be sufficient assets available upon retirement to supply an income to the individual that will allow them to continue participating in the economic growth of the nation. This will guarantee that the widening gap between the number of those employed and those no longer employed does not shrink the economy through a reduction in the spending power of the latter.
- A minimum amount of each fund must be retained upon retirement, guaranteeing the individual a basic income for life.
- Above all else, good superannuation policy must give certainty to people, enabling them to make long-term plans that are not subject to constant change and ever-increasing costs of compliance.

We believe there needs to be a clear direction for review and reform of superannuation and related policy. Issues to be considered should include:

- The need to have a full and open debate that will ensure multi-partisan support;
- Appropriate incentives for voluntary self-provision in retirement;
- A clear focus on increasing consumer confidence by ensuring that any reform is simple to understand;
- Having fiscal stability over time;
- Adopting a practical proposal for transition to a new system;
- A uniform regime that does not discriminate between classes of funds; and
- The removal of impediments, to ensure the opportunity for small funds to invest locally.

### ***Adequacy***

It is our position that superannuation should be the preferred means of providing for a person's retirement. The Age Pension (Government-provided) should only be an option

for those individuals who are unable to provide for themselves from their superannuation alone.

Superannuation should be promoted as replacing, and not merely supplementing, the Age Pension in as many cases as possible in the long term. The Age Pension should serve only as a true safety net.

**How much is enough?**

This is a subjective area, so instead of assigning a dollar value to the ideal end superannuation benefit, we should examine the effect of how a reduction in superannuation taxes and/or an increase in contribution levels would improve retirement outcomes and reduce reliance on the Age Pension.

SISFA implores the Government to pursue the options identified, with a particular focus on how increased superannuation benefits in the long run reduce public reliance on the Age Pension. Increased superannuation benefits, particularly in the form of income streams, will enable more people to provide for their own health and aged care needs, thereby reducing the long-term burden on taxpayers.

**Disengagement/engagement**

To engender a desire for self-reliance, the Australian community must have a significantly enhanced ownership interest in superannuation. The model for this is clearly the self managed superannuation fund sector where trustees' and members' objectives are aligned, to which the success of that sector is to be attributed.

The compulsory system alone does not achieve this end. It must be complemented by an intensive national public awareness and education campaign, appropriate incentives and a policy development framework that instils long-term confidence and stability.

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

Yours sincerely



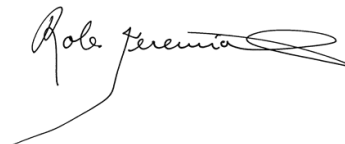
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