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The Treasury
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RE: Objective of superannuation

Thank you for the opportunity to make a submission in relation to legislating an objective for superannuation. This submission will deal with three issues: reporting on meeting the objective for superannuation, what the objective should include and the legislative location for the objective.

Reporting on the objective of superannuation

I note that enshrining in legislation an objective for the superannuation system is only one part of the recommendation of the Financial System Inquiry (FSI) – the second being that there should be public reporting on how policy proposals meet these objectives:

“Enshrine the objectives in legislation. Government should report publicly on how policy proposals are consistent with achieving the objectives in the long term.”

The discussion paper does not appear to consider this part of the recommendation. I am concerned that simply putting into legislation a broad objective for superannuation without associated reporting will likely achieve very little.

I encourage the Government to consider including a reporting mechanism with the legislated objective. Legislation which included changes to superannuation rules, or taxes on superannuation, would be required to include consideration of how the changes help meet the objectives of superannuation. This could be modelled on regulatory impact statements, as suggested by the FSI panel “at little cost”, or the Statement of Compatibility with Human Rights.

The FSI final report said: “In addition, Government could periodically assess the extent to which the superannuation system is meeting its objectives. This could be done in a stand-alone report or as part of the Intergenerational Report, which is prepared every five years.”

I also encourage the Government to consider regular reporting on meeting the objective of superannuation. However I think this should be more frequently than the Intergenerational Report, as superannuation policy changes quicker than demographic trends.

Objective for superannuation

I broadly agree with the objective for superannuation as set out by the FSI. However, as this is objective meant to influence policy design, I think it would be appropriate to include some more subjective measures which would better reflect the goals of superannuation. I include in this ‘adequacy’ and the concept of a ‘comfortable’ retirement:

*To provide income, supplemented where appropriate by the age pension,
adequate to fund a comfortable retirement.*

Location of the objective

I think the objective should be included in the *Superannuation Industry (Supervision) Act 1993* (SIS Act), which contains many of the other superannuation rules.

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I am a CPA and Tax Agent, with a background in public practice accounting for SMSFs and an interest in superannuation and retirement issues. I write for SolePurposeTest.com, an SMSF and superannuation news site for SMSF trustees and professionals.