



**SUBMISSION TO THE TREASURY
AUSTRALIAN GOVERNMENT
IN RESPONSE TO EXPOSURE DRAFT LEGISLATION FOR A
Retirement Income Covenant**

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Submitted by: Gerard Dwyer
National Secretary-Treasurer



About the SDA

The Shop, Distributive and Allied Employees' Association (the SDA) is one of Australia's largest trade unions with over 210,000 members. Our members work in retail, fast food, warehousing, hairdressing, beauty, pharmacy, online retailing, and modelling.

The majority of SDA members are women (60%, approximately 131,000), under 35 years (57%, approximately 120,000 workers), and low-income. Retail and food services are two of the three lowest industries for median weekly earnings.

The SDA has a long history of advocating on behalf of members. We do this through enterprise bargaining; making submissions regarding Awards and the NES to provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other important reviews.

The SDA has 10 policy principles that guide our engagement in these reviews. For a list of these, see Appendix A.

Response to exposure draft for Retirement Income Covenant

Summary of policy development to date

1. The original proposal for a Retirement Income Covenant announced in 2018 would have required funds to offer Comprehensive Income Products for Retirement (CIPRs) and push Australians to get advice about annuities. That was an exemplar of the focus of superannuation policy discussions on something other than its purpose. The purpose of super is to help Australians save for retirement during ones working life and to use those savings to assure the economic prosperity their country. The purpose of super is not wealth management in retirement.
2. Fortunately, there is now awareness of the faults of the 2018 proposal for groups with lower educational attainment, lower balances, and shorter life-expectancies. The July 2021 Retirement Income Covenant Position Paper outlined an approach of cohort-based strategy documents prepared by Trustees, which is significantly less controversial but retained a risk of superannuation trustees being distracted into supporting members with high balances over the needs of those saving for and continuing to save during retirement as well as those who are reducing their capital as they age.

This draft legislation

3. If enacted, this exposure draft would require trustees to have a strategy to assist beneficiaries to achieve and balance three objectives. Namely, maximizing their expected retirement income; managing expected risks to the sustainability and stability of their expected retirement income; and having flexible access to expected funds during retirement.
4. The primary concern of the SDA in response to the July 2021 position paper was a lack of acknowledgement that lump sums can be appropriate, and that a retirement income does not have to be a stream from savings during a working life. While the explanatory memorandum indicates this need at point 1.35 (p.9) where maximising retirement income is outlined, this remark is buried. Implementation, largely done by regulators, may see this lost and a return to focus on streams of income. Further, funds may yet be forced to subject their members to 'nudging' to annuities, creating significant equity issues as were outlined by the Productivity Commission when it looked at CIPRs. The regulations for this covenant must allow for simple default settings for retirement products and acknowledge that no retirement product can be considered ideal in a world where tax, pensions, and personal preferences differ and change over time.
5. Development of retirement income products should not undermine the ability of members to access funds which offer them simple products suited to their needs, including access to lump sums, account-based pensions and a combination of these. Regulations must be clear that universal retirements products are a satisfactory part of a retirement income strategy. This is consistent with the basic purpose of superannuation – to save for retirement – and avoids superannuation policy clashing with the setting of age pensions.
6. A secondary concern was about so called "future reforms". The position paper held onto the notion that members should be nudged into CIPRs. Any such move has equity risks and is a distraction from the need for universal saving for retirement, which would be helped with adjustments to the superannuation guarantee such as paying super on every dollar a person earns. A consultation process should occur before any further change is considered.
7. Finally, the SDA seeks that superannuation legislative drafting avoid distractions from a focus on saving (best financial interests) for retirement (the sole purpose test). To assist this, additional drafting could codify the sole purpose and the best financial interests' duty to clarify the objective of superannuation – being saving for retirement with universal simplicity that allows for personal circumstances.

SDA view of exposure draft

8. The SDA does not oppose the legislation but seeks regulations that which offer working Australians simple retirement products suited to their needs, including access to lump sums, account-based pensions and a combination of these.

Appendix A: Rationale for SDA policy positions

SDA policy is driven by providing value to our members whose work is regulated by a broken industrial framework. We seek an economic system that supports, protects and advances the interests of working people in this country.

Our predecessors built the conciliation and arbitration system which provided the foundations to our nations prosperity over a century ago, it is now our responsibility to build a system for the next generation.

Since the introduction of the Fair Work Act 2009 and subsequent radical changes to the financial and digital context inequality has grown and economic and political power has concentrated in the hands of a few.

We believe that fundamental not incremental change is needed. In contributing to policy, we seek to drive a new system that acknowledges the change that has occurred and will withstand the emerging world of work.

We engage in topics that help us drive this agenda and are guided by ten principles that we believe will create value for our members. Those principles are:

1. Address Inequality & Enshrine Fairness
Minimum expectations must be set and adhered to.
2. Equity & Empowerment
All workers must be supported to progress so that no-one is left behind.
3. Mobility & Security
A socially successful economy must provide opportunity for all, regardless of their background. Systems must be built in a way that support success and adaptation in a rapidly changing world of work.
4. Delivering Prosperity & Growth For All
A foundation for prosperity and economic growth must be achieved.
5. Protection in Work & Beyond
Workplaces and the community must be healthy and safe for all workers and their families during and beyond their working lives.
6. Workers Capital & Superannuation
Workers capital and superannuation must be an industrial right for all workers and treated as deferred earnings designed for dignity and justice in retirement.
7. A Strong Independent Umpire
A strong, independent, cost effective and accessible industrial umpire and regulator must be central to the future system of work in Australia.
8. Protection & Support for Our Future
Protecting and supporting our future requires a strong and vibrant retail industry and supply chain providing jobs with fair and just remuneration and contributing to the economy including through skilled workers.
9. Work & Community
Work is a fundamental human activity that provides for personal, social and economic development. Work as it operates in community must build and protect a balance between life at work and life so that workers can contribute to society through the wider community.
10. Institutional Support for Collective Agents
Institutional support must provide for collective agents (registered organisations) so that they are recognised, enshrined and explicitly supported as central to the effective functioning of the system.

Details of specific policy positions can be discussed by contacting the SDA National Office.

