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By email:

Dear ██████████,

Legislating the objective of superannuation

Aware Super welcomes the opportunity to provide a submission in response to the *Legislating the objective of superannuation* consultation paper.

Aware Super has been the fund for people who value the community since 1992.

We're one of Australia's largest funds and we're continuing to grow. We have more than \$150 billion in retirement savings for over 1.1 million members, including more than \$31 billion in retirement assets. Our members—including teachers, nurses, public servants and emergency services officers—work in roles that support our community, and they expect us to do the same by investing in ways that do well for them, and good for all.

A legislated objective is long overdue

Aware Super strongly supports legislating the objective of superannuation, and we support the proposed wording set out in the consultation paper.

A legislated objective for the system is long overdue.

The Objective should provide an agreed understanding of the goals of the system, that will stand the test of time and serve as an anchor point for future reforms. It should allow a focus on how the system serves individuals, balanced with the ongoing sustainability of the system as a whole.

We are particularly pleased to see the inclusion of equity as a key element of the proposed objective. This is necessary to ensure that the experiences of women, indigenous Australians and other groups retiring with less superannuation than they should are considered in all decisions about system settings.

While we believe the proposed objective statement captures this, it will be important that the intended meaning of each key word is clearly defined so the objective retains clarity over time.

The detailed comments in Appendix A focus on ensuring the Objective is clear, appropriately considers key issues, and is actively considered as part of all future superannuation reforms.

Summary of recommendations

Aware Super recommends the Government:

1. Include both equity and sustainability as key concepts in the objective to balance individual and system-level outcomes

2. Retain the principle of preservation, while providing more clarity on its intended meaning
3. Ensure all future reform is assessed against the proposed objective, by requiring a statement of compatibility in the explanatory memorandum of all future superannuation legislation and regulation.

Conclusion

It is important that a legislated Objective has sufficient buy-in and agreement from all key stakeholders to ensure it has longevity and remains above partisan politics.

Aware Super looks forward to working with the Government and other key stakeholders to see the Objective legislated as soon as possible.

[REDACTED]

Yours sincerely,

[REDACTED]

Deanne Stewart
Chief Executive Officer

Appendix A: Detailed comments

Equity and sustainability

Equity and sustainability are key aspects of the proposed objective and must be appropriately balanced for the superannuation system to work for all Australians.

Tax concessions form an important part of the trade-off in locking money away for retirement, but the superannuation system should not be inappropriately subsidising those with high balances while underserving women, indigenous Australians and other disadvantaged groups.

When we consider whether the superannuation system is meeting its objective, this should take into account the distribution of concessions, and the equity of superannuation outcomes.

For example, the gap between median superannuation balances for men and women at 60-64 years old is 28%,¹ and almost three quarters of tax concessions through the superannuation system flow to men.

Similarly, the top 1% of income earners receive 14-times the concessions received by the bottom 10%.

Sensible measures to reducing the amount of tax concessions flowing to high-balance accounts, through measures such as the proposed 30% earnings tax for super savings above \$3 million, help to improve equity and sustainability by:

- reducing the ongoing cost of tax concessions to the economy; and
- creating savings which can be redirected to measures supporting low-income individuals, including:
 - payment of SG on Commonwealth Paid Parental Leave;
 - increasing the low-income super tax offset (LISTO) payment; and
 - implementation of a 'carers credit' model to ensure caring work does not impact retirement outcomes.

Recommendation 1

Include both equity and sustainability as key concepts in the objective to balance individual and system-level outcomes

The importance of preservation

Preservation is essential to Australia's superannuation system. Preserving superannuation until retirement maximises compounding returns and is essential to ensuring adequate retirement savings.

We support the inclusion of the preservation principle in the wording of the objective.

However, it is important that the intent of the inclusion is clearly articulated, for example in the Explanatory Memorandum accompanying the legislation. This will help avoid doubt in relation to established uses for superannuation savings.

Specific existing features of the system which should be considered in the context of preservation include:

- Early release on hardship and compassionate grounds – the system already acknowledges that, in some instances, immediate need outweighs preservation. It should be made clear that the intent of 'preservation' in the objective is not intended to override legitimate grounds for early release.
- Insurance in superannuation – life insurance in super is a critical element of the current system to deliver fairer retirement outcomes for all. The current model has been demonstrated to be a highly efficient method of providing affordable cover to those that may not have otherwise had access or the

¹ [The Gender Superannuation Gap: Addressing the options \(KPMG\)](#) p2

means to put cover in place. It is important that the wording of the objective does not undermine this important feature of the superannuation system.

Recommendation 2

Retain the principle of preservation in the wording of the Objective, while providing more clarity on its intended meaning.

Measuring future reforms against the Objective

The Objective does not create any new obligations for trustees or funds, but should act as a guardrail for policymakers to ensure future reforms do not undermine the system.

The consultation paper proposes that the policy development and parliamentary processes will ensure future superannuation system changes are compatible with the objective.

To ensure accountability for Governments introducing future reforms, it is important to ensure that Governments are required to articulate how proposed reforms align with the Objective. It is also vital that this is done in a way that allows for this statement to be debated alongside the substance of reforms.

A statement of compatibility/alignment in the Explanatory Memorandum of future legislation or regulations would ensure that future changes are adequately justified, and that there is an opportunity to challenge this if required through consultation and parliamentary debate.

Recommendation 3

Ensure all future reform is assessed against the proposed objective, by requiring a statement of compatibility in the explanatory memorandum of all future superannuation legislation and regulation.