



**Australian
Chamber of Commerce
and Industry**

ABN 85 008 391 795

T: +61 2 6270 8000

info@acci.com.au

www.acci.com.au

31 March 2023

Director
Superannuation, Insurance and Governance Unit
Member Outcomes and Governance Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

(e) superannuationobjective@treasury.gov.au

RE: Legislating the Objectives of Superannuation consultation

The Australian Chamber of Commerce and Industry (ACCI) appreciates the opportunity to provide comment on the Government's proposal to legislate the objectives of superannuation.

ACCI is Australia's largest and most representative business association and we are the largest representative body of small business. Our members are all state and territory chambers of commerce, which in turn have 430 local chambers as members, as well as over 70 national industry associations. Together, we represent Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

Employers contributing superannuation on behalf of their employees need certainty, simplicity and transparency in the system and want to be reassured that the superannuation they pay on behalf of their employees provides the best returns over their employees working life into retirement.

The wording of the superannuation objective proposed by the Government does not achieve this. It identifies: *The objective of superannuation is to preserve savings, to deliver income for a dignified retirement, alongside government support, in and equitable and sustainable way.* However, it fails to capture some of the most important elements of the superannuation system.

Reviewing the proposed wording by its parts:

- ACCI contends that the superannuation system should do more than simply preserve savings to deliver income in retirement; it should be growing savings to deliver income in retirement. ACCI agrees that the purpose of the super system is for income in retirement rather than bequests.

Canberra

Commerce house
Level 2
24 Brisbane Avenue
Barton ACT 2600
PO Box 6005

Melbourne

Level 2
150 Collins Street
Melbourne VIC 3000

Sydney

Level 7
8 Chifley Square
Sydney NSW 2000



- The definition of a ‘dignified’ retirement is unclear and could be construed as an elevated lifestyle. A more appropriate goal is *to deliver adequate standards of living in retirement*.
- What is also overlooked in the proposed wording is that superannuation funds must *invest in the best financial interest of members* with a focus on achieving the best return on this investment over the 40 plus years of an employee’s working life.
- The government appears to be suggesting that investments in social ventures that have hitherto been lower ranked by super funds (and may not achieve genuine commercial returns) stand to receive greater investment by virtue of changing the objective. To the extent that investments are diverted from higher ranked investments into lower ranked investments, super fund members’ returns will be diminished, and the businesses that lose investment streams will suffer adverse consequences.

There have been a number of previous reviews that have proposed an objective of superannuation, including the Retirement Income Review in 2020 and the Financial services Inquiry in 2014. Closer attention should have been paid to these reviews/inquiries when forming the objective of superannuation.

The Retirement Income Review proposed the objective of superannuation being — *to deliver adequate standard of living in retirement in an equitable, sustainable and cohesive way*.

Relative to the objective being proposed in the consultation paper, this is clearer and more inclusive with a focus on the standard of living in retirement, rather than a more obscure reference to dignity. However, it does not place the responsibility of superannuation funds to work in the best interest of their members or take into account the need for superannuation funds to be invested and to grow retirements savings for members. Furthermore, it lacks clarity through the use of nebulous and subjective terms such as “equitable” and “sustainable”— that like the qualitative measure of “dignified”, are problematic in the context of statutory definition, as their meaning is open to interpretation and therefore ambiguity.

An earlier review of the financial system by David Murray, the *Financial System Inquiry 2014*, proposed the primary objectives of superannuation system should be *to provide income in retirement to substitute or supplement the aged pension*. While this by itself is somewhat minimalist, it also included six subsidiary objectives, which make clearer the objective of superannuation.

The subsidiary objectives include:

- Facilitating consumption smoothing over an individual’s life
- Helping people to manage financial risk



- Being fully funded through savings
- Being invested in the best interest of superannuation fund members
- Alleviating fiscal pressure on Government from the retirement income system
- Being simple, efficient and providing safeguards.

The proposed wording in the current consultation paper does little to improve our understanding of the role of superannuation. Relative to the earlier proposals in the Retirement Income Review and Financial Services Inquiry it makes the objective more vague and general.

ACCI suggests an objective that is succinct, but both explicit and clear.

The objective of the superannuation system is to assist in delivering adequate standards of living in retirement, by having investments made in the best financial interests of superannuation fund members.

This is an objective that describes the key purpose of super, while ensuring that investments are made in the best interests of members.

Importantly, in being fully consistent with existing fiduciary duties (including the best financial interests duty and sole purpose test), ACCI's proposed objective avoids the unnecessary risk of unintended consequences arising from a legislative objective at odds with a superannuation trustee's existing obligations.

Yours sincerely

David Alexander
Chief of Policy and Advocacy