



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

Email: superannuationobjective@treasury.gov.au

Dear Sir/Madam

Consultation paper: Legislating the objective of superannuation

The Actuaries Institute ('the Institute') welcomes the opportunity to provide stakeholder feedback on The Treasury Consultation paper dated 20 February 2023: *Legislating the objective of superannuation*.

The Institute is the peak professional body for actuaries in Australia. Our members have had significant involvement in the development and management of superannuation in Australia, and work across APRA regulated funds, SMSFs and public sector funds, as well as the life insurers who support insurance in superannuation benefits.

1 Benefits or risks associated with legislating an objective of superannuation

The Institute has recommended¹ that a clear objective be legislated for the retirement income system as a whole, as well as for each pillar and that there be principles for their integration. We believe this is needed to guide policy, improve understanding and provide a framework for assessing performance of the system.

The objective of superannuation as proposed recognises that government support is also important to deliver income for a dignified retirement as a whole, and so provides the desired practical benefits recommended by the Institute. Further guidance on this aspect, along with principles for the integration of each pillar of the retirement income system, can be provided in the explanatory materials to a proposed bill. We recommend that the explanatory materials are also exposed for comment given their importance to the effective interpretation of the proposed objective.

¹ Public Policy Statement – August 2021 section 4.1 [Securing Adequate Retirement Incomes for an Ageing Australia](#)



2 Proposed objective of the superannuation system

The Institute has proposed² that the underlying objective should be that the retirement income system allows Australians to live with dignity throughout retirement. The proposed objective *“The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”* is consistent with the Institute’s proposal. It recognises the three principles suggested by the Institute to meet the objective of equity, efficiency and financial security.

The proposed objective is succinct and answers the key questions set out on page 10 of the Consultation paper. It also continues the reorientation of superannuation away from being a vehicle for asset accumulation, and towards providing income to support retirement.

We note, however, that a secondary, or subsidiary, set of principles in legislation is not proposed. Instead, explanatory materials to a proposed bill would provide further guidance on the intent behind the objective. We support this position but recommend that the explanatory materials are also exposed for comment given their importance to the effective interpretation of the proposed objective.

In particular, we recommend that the explanatory materials reference the roles of insurance and financial advice in superannuation, given:

- **Insurance in superannuation** supports delivery of income for a dignified retirement and provides important protection in an equitable, affordable and sustainable manner. It is consistent with the sole purpose test that recognises life and disability insurance as subsidiary objectives. The majority of Australians would not have protection insurance, but for the default life and disability insurance in their superannuation fund. This insurance provides financial support if, and when, a member’s ability to earn a living fails before retirement. As the member’s balance increases, the need for insurance reduces and so insurance and superannuation support are naturally integrated.
- **Financial advice** is provided by superannuation funds and given the obligations under the retirement income covenant forms an important component of superannuation funds’ retirement income strategies. Its explicit inclusion in the explanatory materials would reinforce the role of financial advice in assisting a member achieve sufficient income for a dignified retirement.

3 Appropriateness of proposed approach to enshrining objective of superannuation

The Institute supports establishing the objective of superannuation in legislation. We recommend that this be in a new stand-alone Act, not in existing superannuation legislation, such as the SIS Act because the objective of superannuation should apply for all superannuation, including exempt public sector superannuation funds. A new stand-alone Act would also make it clearer that the objective is not intended to guide the regulation of trustees’ conduct and that it is separate from trustees’ fiduciary duties such as the best financial interests duty and the sole purpose test.

² Public Policy Statement – August 2021 section 3 [Securing Adequate Retirement Incomes for an Ageing Australia](#)



4 Accountability mechanisms

The Institute supports the accountability mechanisms as envisaged in the Consultation paper.

Further information

We would be pleased to discuss this submission or to provide further information. If you would like to do so, please contact Elayne Grace, Chief Executive Officer of the Actuaries Institute, on (02) 9239 6100 or elayne.grace@actuaries.asn.au.

Yours sincerely

Naomi Edwards
President