

**26 February 20223**

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

**Dear Director**

Thank you for the opportunity to comment on the proposal to enshrine legislation on the objective of superannuation.

**A considered legislated objective for the \$3.3 trillion in superannuation is well past its time.**

As a cadet actuary in the early 1980's I was involved in analysing the impact of proposed "Reasonable Benefits Limits" to reduce the ultimate benefits allowable under superannuation. Since then changes to superannuation rules were anticipated by the press prior to each budget. There was a 'superannuation change' industry that lobbied for, anticipated, and worked out arcane structures to exploit, all those changes. The SIS Act is 600 pages long.

All this legislative policy change was guided by a 'purpose test', enshrined in tax legislation, which sought to guide activities of superannuation fund trustees. A stated objective all those years ago may have curtailed a lot of that unnecessary activity, and maybe simplified supporting legislation.

This is a personal submission, based on my experience and current interest as a newly retired person relying on superannuation and private investments (but not the age pension) to support our lifestyle in retirement. It may or may not reflect the views of the various professional associations I am a member of.

***What do you see as the practical benefits or risks associated with legislating an objective of Australia's superannuation system?***

The superannuation industry currently manages around \$3.3 trillion in assets which represents about 20 times the asset size of the Future Fund, whose objective is set out in legislation. It beggars belief that such a large and critical part of the Australian financial system does not have a written raison d'être.

A well-crafted legislative objective would:

- Bring the Australian superannuation system into line with other asset accumulation schemes (such as sovereign wealth funds, endowments funds, Future Fund etc.).
- Guide policymakers in drafting amendments to legislation which bears on superannuation.
- Provide guidance as to the role of superannuation, as opposed to private investment and the age pension, in supporting Australians in retirement. This will benefit both policymakers and individuals.
- Appropriately constrain the uses to which superannuation investments can be put, and quickly limit discussion on frivolous proposals.
- **Facilitate** policy discussions on the amount of, and distribution of, tax support conferred to superannuation funds.
- Maybe even stop some quarters treating superannuation assets as a piggy bank to support whichever cause seems appropriate at the time.

It would not **inhibit** policy discussions on the amount of, and distribution of, tax support conferred to superannuation funds.

***Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?***

Not entirely.

The statement picks up two parts of the three aspects of Australian policy to retirement income - the other being private savings. This may imply that all income required for a dignified retirement should come from or be subsidised by the government. This is neither desirable nor affordable. Adding in the word 'and private savings' will reinforce that this is not the case.

I support the word 'dignified', or some other word, that accepts that income after retirement should be related to income during their working life and that some tax concessions should support that.

The word 'sustainable' has a broader meaning to that used in the consultation. The word often is used in the broader context such as supporting climate change initiatives and abatement, biodiversity, and generally maintaining as much of the country as habitable as possible. If this is considered a valid use of superannuation (reducing the cost of climate change abatement supports 'dignified retirement income) then fine. Otherwise adding the word 'fiscally' may be a prudent addition.

These proposals would make the objective read:

*"The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support and private savings, in an equitable and fiscally sustainable way. "*

Current superannuation legislation envisages superannuation being available in the case of hardship and on compassionate grounds. The objective as stated would prevent early release, if interpreted completely literally. This needs to be considered at some stage.

***Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?***

Adding the objective to the start of Paragraph 1, Part 1, Division 1 or the SIS ACT would get the objective legislated with the minimum of effort. If there is much explanatory material to be added in addition to the pure words of the objective, or if there are a draft of regulations envisaged for the 'implementation' of this objective, then a different Act may be better.

The SIS Act as it currently stands is huge. Don't want to make it too much bigger.

***What are the practical costs and benefits of any alternative accountability mechanisms to the one proposed?***

No comment.

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Thank you for the opportunity to make this submission. I look forward, after forty years, to finally knowing the objective of the industry I worked in for almost thirty years.