



Gold Coast Retirees Inc

Incorporation
Number

IA57102

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

28th March, 2023

Delivered by email to: superannuationobjective@treasury.gov.au

Dear Sir/Madam

The following submission has been prepared on behalf of members of Gold Coast Retirees Inc (GCR). The Association comprises 185 Gold Coast retirees the majority of whom are partially or fully self-funded. Many members currently hold their superannuation within Self-Managed Superannuation Funds, while others are using Retail and Industry Funds.

At a recent meeting of GCR on 15th March, 2023, members expressed serious concerns regarding certain aspects of the Government's proposed Objective of Superannuation.

Accordingly, we are pleased to present our submission, comments and alternate suggestions for the proposed objective.

Yours sincerely,

President
Gold Coast Retirees Inc

Chairman
GCR Advocacy Committee



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Submission to The Australian Federal Government **on the Proposed “Objective of Superannuation”**

In its consultation paper “Legislating the objective of superannuation” of 20 February 2023, the Federal Government has called for public comments on its proposed Objective of Superannuation. The Government’s proposed objective reads:

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

GOLD COAST RETIREES COMMENTS **ON THE PROPOSED OBJECTIVE.**

Is an Objective Necessary?

The primary opinion of Gold Coast Retirees Inc is that there is no need to introduce an objective of superannuation. In our opinion the Sole Purpose Test, which already exists, provides the necessary guidance as to the purpose of superannuation, the characteristics required for a superannuation fund to be compliant and the penalties that apply for non-compliance.

And this Sole Purpose Test is **already enshrined in legislation.**

S62 of the Superannuation Industry Supervision Act (1993) details the Sole Purpose Test. In summary this section states:

“... a regulated superannuation fund must ensure that the fund is maintained solely:

(a) for one or more of the following purposes

- (i) the provision of benefits for each member... after the member's retirement
- (iv) the provision of benefits for each member... after the member's death ... if death occurred before the member's retirement ... and the benefits are provided to the member's legal personal representative ... or the member's dependants, or to both

(b) for one or more of the following purposes

- (ii) the provision of benefits for each member... after the member's cessation of work ... on account of ill-health”

This test aims to allow taxation concessions to only those regulated superannuation funds that satisfy the Sole Purpose Test. Funds that fail the test risk being deemed as non-compliant thereby losing their concessional superannuation status. Substantial fines and criminal penalties may be taken against the trustees if this occurs. Importantly, this Sole Purpose Test is **already enshrined in legislation**.

Surely this is sufficient to ensure superannuation funds of all types meet their intended purpose.

Furthermore, in the 2022 federal election campaign, the Australian Labor Party promised no major changes to superannuation. Too many changes to superannuation tend to diminish public confidence and discourage participation. We feel the proposed changes provide no additional benefit, are unnecessary and do represent a major change contrary to Labor's election promise.

Nevertheless, while we believe a new objective is unwarranted, if the Federal Government is intent of introducing an objective, we offer the following comments on the objective as proposed in the consultation paper.

Preserve savings.

GCR is comfortable with this clause. Superannuation is already “preserved” until a member reaches a condition of release. With some limited exceptions, conditions of release ensure that a member cannot access their superannuation until they are retired, which, after all, is the main purpose of superannuation. Exceptions to this are:

- Access for pre-retirees who have a total and permanent disability.
- Access for financially distressed pre-retirees to reduce their home mortgage.

We are happy for this clause to be retained in the proposed objective as it may deter future regulators from making superannuation more accessible to pre-retirees thereby defeating the purpose of the scheme.

[We recommend that this clause remain unaltered.](#)

Deliver income.

We are concerned that this clause in the proposed objective starts to sound like a lifetime annuity where members can have a regular income for life but not have access to capital withdrawals. Some lifetime annuities also expire worthless upon death thereby preventing any residual balance being passed on to the next generation. The government’s “Defined Benefits Pension” scheme is exactly that – income for life, but no value of death.

Currently retired members can draw both a regular income and capital withdrawals from their superannuation funds. These capital withdrawals can be for any purpose (eg home repairs, travel etc) but importantly they may be required for a member to fund access to an aged care facility for themselves or their spouse or for major medical expenses. We believe it is essential that unlimited access to capital withdrawals should remain.

[We recommend that this clause be expanded to state: “deliver income and access to capital.”](#)

Dignified Retirement.

Some of the proposed objectives of superannuation should really be objectives of the overall Australian Retirement Income System rather than solely a superannuation objective.

In its 2019 Review of the Retirement Income System, the Federal Government identified three pillars for such a system. The three pillars are:

- a means tested Age Pension
- compulsory superannuation, and
- voluntary savings, including home ownership.

These three pillars collectively form an umbrella as the basis of an efficient and sustainable means of securing the financial well-being of Australian retirees.

GCR supports the establishment of the three-pillar umbrella for the Australian Retirement Income System. This system clearly needs to have specific objectives including providing a dignified retirement in an equitable and sustainable way.

So while we agree a dignified retirement is an important objective for all retirees, we fail to see how this can be an objective for a superannuation fund alone or how a superannuation fund could achieve such an objective.

Setting a superannuation fund an enforceable objective of attaining a dignified retirement for its members is too subjective. How on earth do you assess this? One person may find a particular retirement lifestyle as comfortable and dignified. Another, living the same lifestyle may find it confronting and undignified. Furthermore, how is it the objective of superannuation to provide a retirement that a member finds dignified. For example, if a retiree believes his retirement is undignified, and if the superannuation is charged with the objective of providing dignity, then what can the superannuation fund do for that member to change his retirement lifestyle to achieve the dignity they desire. In fact, it is likely the superannuation fund could do nothing and the member's retirement would continue, in their opinion, to be undignified. Accordingly, the superannuation fund would have failed to meet this part of its objective. Does this mean it is then a non-compliant superannuation fund and needs to be wound up?

[We recommend that the words “a dignified” should be removed from the objective as this is more pertinent as an objective of the overall Retirement Income System.](#)

Government Support.

The Retirement Income Review conducted in 2019 stated the three pillars of the Retirement Income System, as being:

- a means tested Age Pension
- compulsory superannuation, and
- voluntary savings, including home ownership.

Similar to our comments about the “dignified retirement” objective, we believe that any reference to Government support lies within the ambit of the overall Retirement Income System and has nothing to do specifically with superannuation funds. It is the Government, not superannuation funds, that determine the rules applying to their age pension support.

By way of example if a superannuation fund member conducts his financial affairs in such a manner that causes him to lose the pension, what steps could his superannuation fund possibly take to “work alongside Government support” to restore their pension and thereby abide by the proposed objective.

The phrase “alongside Government support” is clearly an objective of the Retirement Income System, not solely superannuation.

We recommend that the words “alongside Government support” should be removed from the objective as this is more pertinent as an objective of the overall Retirement Income System.

Equitable.

Certainly the features of the superannuation system need to be equitable so that the same rules apply to everyone. But is it equitable that the average retiree has \$150,000 superannuation while others have in excess of \$10 million? If it is decided that this is inequitable, what steps can a superannuation fund take to improve the equity amongst members of the same fund? Will the \$10 million fund be ruled as failing to meet the equitable objective when compared with the average retiree and thereby be deemed a non-compliant fund?

The phrase “equitable” is clearly an objective of the Retirement Income System, not solely superannuation.

We recommend that the word “equitable” should be removed from the objective as this is more pertinent as an objective of the overall Retirement Income System.

Sustainable

Some of the proposed objectives of superannuation should really be objectives of the overall system rather than restricted solely to superannuation.

We believe it is the role of Government to provide a sustainable Retirement Income System, not individual superannuation funds. The Federal Government through its policies and legislation can act to ensure the sustainability of the overall Retirement Income System. Individual superannuation funds do not have this ability at either the macro or micro level.

At the macro level, if it is deemed that the Retirement Income System is not sustainable, what can individual superannuation funds possibly do to achieve macro sustainability.

At the micro level, who decides whether an individual superannuation fund is sustainable? And what form of sustainability applies? On what basis could a superannuation fund be deemed as not being sustainable? And if by some governmental intervention an individual superannuation fund is deemed unsustainable, does this mean the fund, by not meeting its objective, is non-compliant and must be wound up?

We recommend that the word “sustainable” should be removed from the objective as this is more pertinent as an objective of Government policy within the overall Retirement Income System.

As an additional comment, where the proposed objective refers to sustainability, we hope this has nothing to do with such issues as sustainable green energy sources or sustainable housing for the disadvantaged. This may sound a ridiculous assertion,

however Federal Treasurer Jim Chalmers has already made oblique reference to superannuation funds being used for such purposes. We would be totally opposed to having portion of superannuation monies being mandated to support Government social equity policies.

GOLD COAST RETIREES SUGGESTED OBJECTIVE OF SUPERANNUATION

We reiterate that our primary opinion is that an Objective of Superannuation is not necessary. However, if the Federal Government is intent of introducing an objective, we suggest the following:

The objective of superannuation is to preserve savings and to deliver income and access to capital for retirement as a pillar of the Australian Retirement Income System.

COMMENTS ON THE FOUR CONSULTATION QUESTIONS.

At the end of the Consultation Paper, the Government posed four questions. We provide below our response to those questions.

Q1. What do you see as the practical benefits or risks associated with legislating an objective of Australia's superannuation system?

We see no additional benefit with legislating an objective for superannuation. As stated above we believe the Sole Purpose Test, which is already enshrined in legislation, provides the necessary guidance as to how superannuation fits within the three pillars of the overall Retirement Income System.

There is a risk that adding a legislated objective, in addition to the existing Sole Purpose Test, may introduce confusion and additional complexity resulting in higher costs for superannuation funds and their members.

Furthermore, we believe the loose terminology upon which we have commented above, may lead to funds being deemed non-compliant due to events beyond their control resulting in a costly termination of the fund.

Q2. Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?

We agree with some aspects of the proposed objective but not others.

We agree entirely that two objectives of superannuation are to preserve savings and deliver income.

We are concerned however there is no reference to members having unlimited access to capital withdrawals.

As regards the terms “dignified retirement”, “Government support” and “equitable and sustainable” we fully support these as being objectives of the overall Australian Retirement Income System but cannot see how they can be an objective of individual superannuation funds nor how funds could act individually to achieve these objectives.

Q3. Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?

As detailed earlier, we believe a formal objective, whether enshrined in legislation or in any other form is not required. The Sole Purpose Test which is already legislated provides an adequate basis for determining the compliant status of a regulated superannuation fund.

Q4. What are the practical costs and benefits of any alternate accountability mechanisms to the one proposed?

Regardless of how any proposed objective is enacted (ie within legislation or some other mechanism) the cost of implementation can be completely avoided by taking no further action in this regard and continuing to allow the Sole Purpose Test to remain as the accountability mechanism.

=====End of Submission=====

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