

8 February 2024

Director, Retirement Income and Adequacy Unit
Retirement, Advice, and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: Retirement@treasury.gov.au

Dear Sir/ Madam,

RETIREMENT PHASE OF SUPERANNUATION – COMMENTS ON THE CONSULTANTION PAPER

The *Association of Public Sector Superannuants, Incorporated (APSS)* welcomes the opportunity to comment on the Treasury Discussion Paper, **RETIREMENT PHASE OF SUPERANNUATION**.

The APSS represents the interests of former employees of the Commonwealth and South Australian Governments, now retired and in receipt of untaxed Defined Benefit pensions paid from the South Australian and Commonwealth Government superannuation schemes established under specific South Australian and Commonwealth superannuation legislation.

The superannuation schemes are administered by Super SA and the Commonwealth Superannuation Commission respectively and as such are **not** APRA regulated entities covered by their prudential supervisory policies and standards and the Retirement Income Covenant, Comprehensive Income Products for Retirement Income (CIPRS), Your Future Your Super (YFYS) performance tests nor the Better Financial Outcomes package and other Commonwealth Government reforms and initiatives.

APSS considers that, in implementing the policy and other proposals outlined in the Discussion Paper that the Commonwealth and South Australian Governments should take the necessary steps to ensure that their Defined Benefit schemes are included to comply with the Retirement Income Covenant, CIPRS, YFYS, the Better Financial Outcomes package and other initiatives and reforms designed to ensure that retirees achieve the objective of enabling retirees to obtain the most out of their superannuation in retirement.

Although the enabling legislation for the South Australian (SA) and Commonwealth schemes specifies their administrative structure and governance arrangements it does not address how they will address the Retirement Phase of Superannuation in relation to members' (constitutionally protected) Defined Benefit superannuation schemes and deliver better retirement outcomes for members in line with the proposals foreshadowed in the Discussion Paper.

The current legislation reflects the policy settings of past decades and has not been updated to reflect contemporary standards and thinking regarding members retirement income needs and options.

Moreover, the proposals outlined in the Discussion Paper must be applied equitably to all parts of the superannuation sector covered by Commonwealth or individual State and Territory superannuation legislation to prevent unintended consequences arising that disadvantage particular sectors or cause hardship to particular cohorts in society at the expense of others.

It is noteworthy that our members' superannuation schemes are not specifically required to comply with the terms of the Retirement Income Covenant (RIC), the Your Future Your Super (YFYS) performance tests, CIPRS reforms nor the Better Financial Outcomes package.

Additionally, on the matter of taxation, the South Australian and Commonwealth Defined Benefit pension schemes, by virtue of their untaxed status, remain taxable income for life and any additional income, including the Aged Pension, is added to the superannuation income, and taxed at the marginal tax rate for the combined income. The Medicare levy is also paid on the combined income.

APSS considers that, in implementing any of the policy proposals outlined in the Discussion Paper, policy makers should acknowledge the unique nature of the SA and Commonwealth Defined Benefit superannuation schemes and outline how that will be accommodated to ensure equity for our members and the delivery of better retirement outcomes.

The APSS views on each of the matters raised in the Discussion Paper are summarised below:

SUPPORTING MEMBERS TO NAVIGATE RETIREMENT INCOME:

- **The challenges for retirees in managing their superannuation:**
 - **Members face complex decisions to plan their retirement income.**
 - **For retiree, superannuation is no longer a nest egg, it's their income.**
 - **Default behaviour, precautionary saving, and withdrawing at the minimum.**
- **Potential policy responses:**
 - **Guidance, education, and communication**
 - **Funds assisting and defaulting members to better settings.**
 - **Simplifying the retirement income system**

APSS supports the comments regarding the challenges faced by retirees noting that they apply equally to its members and supports the potential policy responses with the caveat that they need to cater for the retirement income needs of the members of Defined Benefit schemes. The policy priorities are as listed in the Discussion Paper.

SUPPORTING FUNDS TO DELIVER BETTER RETIREMENT INCOME STRATEGIES:

- Trustees moving from investment manager to retirement service provider.
 - Reviews and reforms of superannuation in retirement
 - Findings of the ASIC and APRA thematic review
 - An enabling environment can help funds achieve their retirement income covenant obligations.
 - Potential policy responses:
 - Standardised product disclosure framework covering:
 - Characteristics of retirement products
 - Performance characteristics
 - A regular assessment of how funds fulfil their covenant obligations.
 - Tools for comparison and performance
 - Regulatory barriers

APSS supports the comments regarding the need for trustees to incorporate both the role of investment manager (particularly during the accumulation and decumulation phases) and retirement income provider recognising that this will require significant changes to be made by the trustees of the SA and Commonwealth Defined Benefit superannuation schemes.

As regards the policy priorities, APSS considers that they should be (1) removal of regulatory barriers (2) tools for comparison and performance and (3) standardised product disclosure framework.

MAKING LIFETIME INCOME PRODUCTS MORE ACCESSIBLE:

- Retirement income strategies need to manage different risks.
- Longevity and mortality risk
- Lifetime income products insure against this risk.
- Barriers to product availability by funds or life insurers
- Barriers to take-up by members
- Potential policy responses:
 - Support for better longevity pricing.

APSS supports the comments regarding the need to make lifetime income products more accessible noting that the SA and Commonwealth Defined Benefit schemes go some way to achieving that ideal by virtue of their structure, particularly in providing retirement income for the spouse of deceased members on the members death.

APSS supports the policy proposal to provide support for better longevity pricing in the context of the SA and Commonwealth Defined Benefit superannuation schemes to achieve

the objective of enabling retirees to obtain the most out of their superannuation in retirement.

EXAMPLE PRODUCT

APSS supports the suggested product with the caveat that, rather than basing it on an Account Based pension income stream (which is more applicable to an accumulation scheme) it is tailored to a Defined Benefit scheme similar to the SA and Commonwealth schemes referred to earlier.

CONCLUSION

In conclusion, the APSS looks forward to participating in any further discussions about the three key areas:

- Supporting members to navigate the retirement income system.
- Supporting funds to deliver better retirement income products and services, and
- Making lifetime income products more accessible

Should you require further information regarding this submission, please contact [REDACTED]

Yours sincerely

James Vandenberg, President