



PS Superannuants

The Association of Public Sector Superannuants Inc.
Formerly SA Superannuants
Established 1927

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Director
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The Treasury
Langton Crescent
PARKES ACT 2600

Via email: superannuationobjective@treasury.gov.au

Dear Sir/ Madam,

LEGISLATING THE OBJECTIVE OF SUPERANNUATION – COMMENTS ON THE CONSULTATION PAPER

The *Association of Public Sector Superannuants, Incorporated (APSS)* welcomes the opportunity to comment on the Treasury consultation paper, ***Legislating the Objective 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.

Although the enabling legislation for the South Australian and Commonwealth schemes specifies their administrative structure and governance arrangements it does not specify how they will achieve the Objective of Superannuation as detailed in the consultation paper.

The APSS considers that the enabling legislation for the existing SA and Commonwealth schemes should be amended to incorporate the proposed Objective of Superannuation as their foundation as part of the proposed legislation.

It is unclear how the proposed to legislate the objective of superannuation will benefit APSS members unless it is enshrined in the South Australian and Commonwealth enabling legislation covering the members defined benefit pension schemes.

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In addition to this submission, the APSS notes the 28 February 2023 announcement by the Minister for Financial Services, Hon Stephen Jones MP, that Treasury will consult on the Government's ***Better Targeted Superannuation Concessions*** proposal.

On the matter of taxation of superannuation, the South Australian and Commonwealth defined benefit pensions, by virtue of their untaxed status at source, 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.

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

The APSS supports both the wording of the Objective of Superannuation and the Government's proposal to enshrine it in legislation.

The APSS considers that the practical benefits are that it will remove the issue from the political cycle and provide the foundation for future retirement incomes policy settings, regulation, and the design (and marketing) of retirement incomes products, policy, and planning for the benefit of contributors, retirees, regulators, and trustees.

It will ensure its durability and de-risk superannuation governance, products, and performance with a clear statement of expected outcomes and associated tax concessions and assist regulators in carrying out their mandated prudential supervisory role within the whole superannuation sector.

It will ensure that superannuation savings are preserved to provide for a dignified retirement and do not get diverted by governments or others for other purposes that detract from the objective of superannuation.

It will also provide confidence to the market and contributors as well as trustees and funds and therefore regulators.

It however must be equitably applied to all parts of the superannuation sector covered by Federal 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.

In framing the legislation in the current superannuation landscape, it will be necessary to consider:

- Managing financial risks in retirement and the need to fund irregular/ unexpected large expenses.
- Clearly define the characteristics of a dignified retirement and associated retirement income level to provide clarity for superannuation policy makers, financial planners/ advisors and for individuals making superannuation contributions and planning for their retirement.

- Its impact on the following areas:
 - Impact on existing and future accumulated personal superannuation fund contributions and savings made over a working life of 40 years or longer.
 - Impact on the ability of retiree's ability to withdraw lump sum amounts from their accumulated superannuation savings.
 - Impact on the flexibility to transfer between schemes (e.g., between accumulation and income stream schemes and the like).
 - Impact on income stream drawdown limits.
 - Impact on retirement plans and standard of living.
 - Impact on Transition to Retirement schemes.
 - Impact on the Home Downsizer superannuation contribution scheme.
 - Impact on the First Home Saver scheme.
 - Impact on Defined Benefits schemes.
 - Retrospective impacts if legislation is applied retrospectively.

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

The APSS considers that the proposed objective meets its members understanding of the superannuation system and that it needs to ensure that it applies across the superannuation landscape, Commonwealth, State, Territory and Local Governments and the private sector that are governed by the superannuation legislation and policies in each jurisdiction not just the Commonwealth legislation under the SIS Act by APRA.

For example, the proposed legislated Objective of Superannuation should apply to the South Australian superannuation schemes under the SA Super Act and the equivalent Commonwealth schemes that are under a less rigorous regulatory regime to protect retirees' retirement income.

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

The APSS considers the proposed approach is appropriate as it removes the issue from the political cycle and provides confidence to the market and contributors as well as trustees and funds and delivers on the equity and sustainability requirement.

Alternative ways by way of policy and regulation are not considered adequate to achieve the desired outcomes in the short and long terms and will not reduce the risk of capricious policy settings that erode the purpose and objective of superannuation (e.g., through early withdrawal of superannuation savings for non-retirement income purposes placing an added burden on the Aged Pension system in the long term).

From a national sustainability perspective, the aim of the superannuation system should be to minimise the number of people receiving the Age Pension.

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

The APSS considers that there is no alternative accountability mechanism that would firmly enshrine the objective of Australia's superannuation system.

History shows that the existing accountability mechanisms are unsatisfactory, requiring costly ongoing intervention and close prudential supervision by APRA and ASIC and along with the current ambiguity about the clear purpose and objective of superannuation places a cost burden on taxpayers.

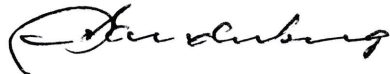
Enshrining the objective of superannuation in legislation will simplify the regulatory regime and reduce the cost burden faced by fund members and trustees as well as Commonwealth and State and Territory governments and the whole superannuation sector and the financial services and advice sectors.

In conclusion, the APSS looks forward to working with the Treasury on the implementation of the ***Legislating the Objective of Superannuation*** proposal.

Moreover, as the ambit of the ***Better Targeted Superannuation Concessions*** proposal will likely include consideration of persons in receipt of untaxed defined benefit pensions, the APSS requests that it be included in the consultation process and invited to make a submission on the proposal on behalf of its members.

Should you require further information regarding this submission, please contact Ms Dianne Baron, Secretary, Association of Public Sector Superannuants, on telephone 0438 528 938 or via email at: apssuper1927@gmail.com.

Yours sincerely



James Vandenberg, President