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Ms Michelle Dowell  
Superannuation Tax Reform  
Retirement Income Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [superannuation@treasury.gov.au](mailto:superannuation@treasury.gov.au)

Dear Ms Dowdell

### **Superannuation reform package**

As the peak lobby for the over 50s, National Seniors welcomes the opportunity to provide feedback on the superannuation reform exposure draft legislation. National Seniors has long advocated for reform of the superannuation system so tax concessions are better targeted, provided the impacts on those near or in retirement are fully considered.

We are broadly supportive of the first tranche of measures but remain concerned about the objective of superannuation as currently drafted in the exposure Bill. The objective Bill is not a precondition for progressing other superannuation reform measures and we recommend further work on the precise wording of the primary objective before enshrining in legislation.

### **Exposure draft Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 and associated regulation**

National Seniors is broadly supportive of the measures set out in the Bill and associated regulation. These include allowing tax deductions for personal superannuation contributions regardless of the type of employment, increasing the income threshold for the spouse contribution tax offset and providing a low income superannuation tax offset.

We are disappointed that the harmonisation of contribution rules for those aged 65-74 has now been abandoned and urge the Federal Government to pursue this measure at the earliest opportunity. In the meantime, we suggest favourable consideration be given to including volunteering as a category that satisfies 'gainfully employed' under the work test. This would provide more flexibility for those aged 65-74 who, for a range of personal and health reasons, may not be able to satisfy the work test as currently prescribed.

We understand that remaining components of the superannuation reform package announced as part of the 2016-17 Federal Budget will be progressed through separate

legislation. National Seniors will provide feedback on those measures once exposure draft legislation has been released.

### **Exposure draft legislation Superannuation (Objective) Bill 2016**

#### Primary objective

National Seniors does not support the primary objective as set out in the exposure draft Bill, which specifies that:

*The primary objective of the superannuation system is to provide income in retirement to substitute or supplement the age pension.*

While this objective was recommended in the Financial System Inquiry's Final Report, it is of limited practical use as an enduring purpose statement to guide development of future superannuation policy. There is no clear basis for measuring the effectiveness of the superannuation system given a wide range of policies would be able to achieve either a substitution or supplementary objective.

Modifying the current wording to include 'adequate income' would be an improvement, but still does not address the underlying confusion relating to substitution and the limitations of being singularly framed around the Age Pension.

As stated in our previous submission, there is a lack of clarity on the threshold point at which the system moves from supplementing to substituting. This risks creating disincentives for work and depletion of savings for those at the margins of eligibility for the Age Pension.

The reference to substitution of the Age Pension in the primary objective is inappropriate. OECD data highlights that over one-third of Australian pensioners are below the poverty line.<sup>1</sup> Recent Australian research confirms the Age Pension is inadequate and fails to provide a decent standard of living for around 1.5 million older people who rely on it as their main source of income.<sup>2</sup> Any superannuation policy that merely substitutes the Age Pension will not provide sufficient income for many older people, particularly those in the private rental market.

National Seniors believes the legislated objective of superannuation should be aspirational and previously suggested the following wording for the primary objective:

*To ensure financial security and dignity in retirement through lifetime savings that, together with the Age Pension and other sources of income, provide a comfortable standard of living.*

The reference to financial security and dignity in retirement is important to reinforce that superannuation is in addition to the Age Pension and to create incentives for mature-age workforce participation and higher voluntary savings. Mention of lifetime savings would better reflect the long timeframes of superannuation investment that require some degree of policy consistency for individuals to confidently plan for their retirement.

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<sup>1</sup> OECD (2015), Pensions at a Glance 2015: OECD and G20 indicators, OECD Publishing, Paris. [http://dx.doi.org/10.1787/pension\\_glance-2015-en](http://dx.doi.org/10.1787/pension_glance-2015-en)

<sup>2</sup> Smith W and Hetherington D, 2016. *The Adequacy of the Age Pension in Australia: An Assessment of Pensioner Living Standards* at [http://percapita.org.au/wp-content/uploads/2016/09/Pension-Adequacy\\_Final.pdf](http://percapita.org.au/wp-content/uploads/2016/09/Pension-Adequacy_Final.pdf)

We also prefer a standard of living benchmark (e.g. ASFA comfortable standards that reflects cost of living and lifestyle expectations of retirees) rather than just an income objective.

National Seniors recommends further work on the precise wording of the primary objective to avoid it becoming tokenistic and to ensure that all future superannuation policies can be measured against a stable, long term objective.

#### Subsidiary objectives

National Seniors accepts the need for subsidiary objectives and supports three of the five listed in the explanatory material. These are manage risks in retirement, be invested in the best interests of superannuation fund members and be simple, efficient and provide safeguards.

We question the need to include as a subsidiary objective 'facilitate consumption smoothing over the course of an individual's life'. Consumption smoothing is not the same as achieving income adequacy or having a comfortable standard of living, so assessing superannuation measures against this subsidiary objective is problematic. While we welcome the specific reference to choice and flexibility in the explanatory material, consistent with our previous recommendation, further clarification on this subsidiary objective is still required.

Importantly, National Seniors does not support reference to 'alleviate fiscal pressures on Government from the retirement income system' as a subsidiary objective. We recommend removing this from any explanatory material as it confuses purpose with outcome and leaves superannuation policy exposed to short-term budget cycles and ad hoc changes.

Reduced reliance on the Age Pension would be an outcome of a more sophisticated and effective superannuation system, not an objective in itself. Moreover, if the system achieves benefit adequacy and is fully funded from savings (which has been removed from the prior list of subsidiary objectives but was one we supported) then it will be fiscally sustainable and in turn, will reduce reliance on the Age Pension.

National Seniors recognises there are limits to government support through tax concessions and direct outlays. However, these limitations can be more aptly conveyed in a subsidiary objective based on intergenerational equity rather than short time budget pressures.

#### Compatibility statement

We support the compatibility statement requirement in the Bill but consider its effectiveness to be undermined by the current wording of the primary objective. An aspirational objective with wording that includes 'dignity in retirement', 'financial security', 'lifetime savings' and 'comfortable standard of living' would ensure the compatibility statement is meaningfully applied.

We note the clarifying examples with respect to 'relating to superannuation' and differentiating legislative instruments from regulations and consider these to be reasonable.

National Seniors recommends including as a substantive provision in the Bill that the statement of compatibility must assess whether any new Bills and regulations are compatible with the primary objective as well as all the subsidiary objectives. While this is referenced as best practice in the explanatory notes, there is considerably discretion left to

the member of Parliament or rule-maker, which is likely to lead to inconsistent application. Further, given the inherent difficulty of capturing all aspects of the superannuation system in a primary objective, it makes sense for the assessment of compatibility to also consider all subsidiary objectives.

Should you require further information, please contact Ms Suzanne Lawless, Policy Manager, on 07 3233 9108 or [policy@nationalseniors.com.au](mailto:policy@nationalseniors.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dagmar Parsons', with a stylized flourish at the end.

**Dagmar Parsons**  
**Chief Executive Officer**