

# Legislating the objective of superannuation.

Comments and feedback from Mark Sanders on the treasury consultation paper issued 20th of February 2023.

***Legislating an objective of superannuation is a very positive and long overdue improvement to the system. The wording is a very welcome definition of the objective. I would only have minor quibbles with the definition.***

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

The current superannuation system has been around for almost 40 years. In that time there have been a huge number of changes to taxation as well as access. Over this time, we've also been able to compare the Australian system to the pension systems operating in other countries such as Singapore. In Singapore the pension system is considered as a pool of savings which can be accessed for housing as well as medical costs. Even before Covid-19 the Australian system was receiving an increasing number of access requests for hardship related to medical procedures. There is also a feature of the system which allows it to be used in a limited way for saving a deposit for a home. With the onset of COVID-19 the system was also used to provide immediate cash for members. Therefore the actual purpose of Australia's superannuation system is currently not clear. It is a little bit like the Singapore system but without the rigour.

By legislating an objective of superannuation the government will create a true north for the trillions of dollars in this system. This is a very important step. It removes some uncertainty for trustees of super funds politicians and the members whose money it is. Therefore, an objective of superannuation will create efficiency of planning and discussion for all these groups and the Australian population in general. It will also focus the collective mind of the Australian population on the retirement income aspect of the superannuation system.

A clear objective of superannuation will also help to diminish the populist view that the money in your superannuation account is your money to be done with as best suits you at the present time.

There appear to be very few risks in legislating an objective of superannuation. The main risk would seem to be narrowing the objective of superannuation to such an extent that it is inappropriate for future generations. However I feel this is a very low risk because future governments will still be able to modify this definition if the objectives have substantially changed.

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

I fully support the wording in the first part of the proposal that is “ The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support”. However, I do have some issues with the final two descriptors; equitable and sustainable.

**Equitable.** I agree that the current system disproportionately favours people who have the most funds to invest in the superannuation system. Therefore, I think the term equitable is an important consideration in the objective of superannuation. Indeed there are already a number of features in the system to support less well-off people. Examples would be the requirements around low balance accounts, Division 293 tax and the transfer balance cap. There is the opportunity to further increase the equitability of the system. However, I am wary of, and would not support, measures which compensate people for their career and lifestyle choices.

**Sustainable.** There seems little purpose in including this term in the objective. This term would just seem to be an invitation for the government to exploit this justification for its own purposes. There is already a de facto mechanism for moderating the sustainability of changes to the taxation of superannuation via the ballot box.

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

Yes. Legislation either through the Corporations Act or probably more relevantly the SIS Act makes the objective obvious to politicians, trustees, members and the general public.

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

No comment.