

Response to Consultation paper “Legislating the objective of Superannuation”.

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

Australia already has a legislated objective, ‘the sole purpose test’. This has served us well for the last 30 years or so. The purpose is clear, ie to provide income for retirement. Introducing subjective words such as ‘adequate, dignified, equitable, sustainable’ to a financial arrangement that for some individuals will span decades is foolhardy. Who will decide what is adequate, dignified et al? The government of the day? Therein lies the major risk. Will governments decide that a compulsory financial arrangement provides a surplus income in retirement above that deemed ‘adequate’ by a Treasury boffin? If so, what will happen? Will the individual’s superannuation balance be trimmed by various means eg taxation, seizure of excess funds etc. Subjective terms are NEVER part of financial contracts and should be avoided at all cost.

The Australian worker compulsorily contributes to their superannuation scheme as part of a salary package. It is the employee’s money. This proposal has the potential to be a government money grab. Governments should stop tinkering with other people’s money.

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

No it does not, primarily because I disagree with the inclusion of subjective wording. My view of adequate et al is likely to differ from other people’s view. In this event, the proposed definition becomes meaningless.

3. Is the proposed approach to enshrining the objective in legislation appropriate?
NO. The ‘sole purpose test’ is set out in s62 SIS Act.

Are there any alternative ways the objective could be enshrined? No, there is already a legislated objective.

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

Constant tinkering with superannuation legislation, regulations, rules et al introduce uncertainty into the system which is designed to be a financial contract that progresses through the decades for the benefit of the employee, not any other party.

Conclusion

The proposal is subjective, open ended and in no way provides any confidence in the superannuation system. Employees must compulsorily contribute to superannuation savings. Accordingly there must be a clearly stated purpose for superannuation that is not open to interpretation. This proposal fails.