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Director
Superannuation Insurance and Governance Unit
Member Outcomes and Governance Branch
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The Treasury
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By email: superannuationobjective@treasury.gov.au

Dear Director

Legislating the objective of superannuation consultation

Vision Super is a mid-sized superannuation fund, with 85,000 members and around \$13 billion in funds under management. Vision Super was founded in 1947, to look after retirement benefits for workers in the local government and authorities sectors in Victoria. We retain a strong and significant connection with our members in our traditional sectors. We have looked after members' retirement savings and pensions for over 75 years, managing the full range of benefit designs from MySuper and choice accumulation products, and closed defined benefit schemes to lifetime and allocated pensions. Vision Super is an internally administered fund, one of the minority in the industry where administration is not outsourced to a service provider, which along with our long history and our strong connection to our members gives us a unique perspective on changes to the industry.

Vision Super is supportive of the government's proposed objective to legislate the purpose of superannuation. We thank the Treasury for the opportunity to respond to this consultation, and our answers to the consultation questions are outlined below.

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

Vision Super believes the practical benefit of legislating an objective of Australia's superannuation system will be the opportunity to address the ad hoc and inefficient policy developments affecting the sector that have largely formed the government's approach over the last decade.

It is important to recognise that ad hoc changes, even when the fund, the industry and members are generally supportive of the change, come with associated costs and undermine consumer confidence in the system.

Vision Super has calculated the costs of implementation for some of the major changes of the past few years:

Measure	System changes involved	Direct costs
Putting Members' Interests First package (PMIF)	Updates to core system, PDS disclosures, letters, website, campaigns and communications, internal training	\$229,500
Protecting Your Super (PYS)	Updates to core system, PDS disclosures, letters, website, campaigns and communications, internal training	\$284,600
Covid early release	Update core systems, automate payment processes, new fraud controls, SMS receipt alerts, confirmation letters	\$55,200

While these costs are less significant than they would have been for funds that rely on external administrators, they still represent an impost on all of our members, including those not affected by the changes. We are very aware, and believe the government should be also when considering changes to the

system, that the costs of implementation are taken directly from the retirement savings of members, and have a direct impact on their balances at retirement.

Significant efficiencies and savings to members would be achieved by taking a more holistic and systematic approach to future change. Many of the implementation costs incurred, such as PDS disclosures, letters, website, campaigns, communications and internal training could be done simultaneously, rather than on an ad hoc basis following each separate change.

More importantly, the continual changes undermine members' confidence in the system, even where they are not directly affected by the changes. We consistently hear this feedback from our Contact Centre as well as from our Financial Planning team. Members want to invest in superannuation, but they can fear the loss of control over their money. Constant, minor changes erode the trust in superannuation and fear stops people from adding to it. This fear is the strongest among younger members who are concerned about adding money to superannuation because they don't know what the rules will be when they reach retirement.

The recent announcement of the proposed \$3 million cap provided a good example. Vision Super's Financial Planners noted that members started to again question whether adding money to superannuation was appropriate, asking questions like "what else will they change?" or "will the cap be lowered?" Most of the members questioning the changes have balances under \$500,000 – the proposed changes will not affect them, but are making them feel less confident in the stability of the system, and less likely to make additional contributions that would strengthen their own retirement balances. This perception may be echoed across members of all funds, with recent Roy Morgan research finding that super fund satisfaction dropped 5.4% from January 2022 to January 2023.¹

Vision Super strongly recommends that the legislated objective be used as an impetus for a wholesale review of the superannuation system to address any changes that need to be made to strengthen the equity and sustainability of the superannuation in a planned and systematic way, and that further ad hoc changes should not be mooted.

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

We support the proposed objective:

The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

We do not believe the proposed alternative phrasings outlined in the consultation paper would be an adequate alternative due to their not containing the word "preserve". The concept of preservation is essential to a successful superannuation system that delivers strong retirement benefits for members.

Under the previous government, we saw a dilution of this principle with schemes such as early withdrawal during the Covid-19 pandemic decimating members' savings.

We also believe it is essential that the reference to government support remains in the legislated objective, as it remains the case that many low-income workers will rely on the Age Pension and other government support in order to attain a dignified retirement.

While we agree with the inclusion of the words 'equitable' and 'sustainable' in the objective, we do not believe that the wording rationale for the inclusion as outlined in the consultation paper is strong enough. We recommend that a stronger rationale be included in legislation or the explanatory memorandum.

While equity does refer, as outlined in the consultation paper, to people in similar situations attaining similar outcomes, and to support being appropriately targeted, equity should also refer to the current inequitable outcomes faced by women in the superannuation system. Women retire with significantly less superannuation than men - the median superannuation balance for men aged 60-64 years is \$204,107

¹ <https://www.roymorgan.com/findings/9186-superannuation-satisfaction-february-2023-2>

compared with women in the same age group who have \$146,900, a gap of 28%.² While Vision Super has programs in place that have helped to address this gap and for our members this gap is smaller³, more needs to be done at a government level to address this issue across the Australian population.

The objective of superannuation is proposed to be forward-looking and to be used as a “yardstick” to consider prospective policy changes to the superannuation system. To address the systemic disadvantage faced by women, the objective must include consideration of the very real equity issues that still exist and are likely to persist into the future.

We acknowledge that these issues do not arise solely from the superannuation system. Of particular note is the need to close the gender pay gap. However, there are other measures that can be taken to address some of this gap directly with superannuation payments – caring responsibilities are still disproportionately undertaken by women. Of the primary care leave utilised by parents with babies in Australia, over 99% is taken by women, more than twice as many women as men receive a carer payment⁴, and even more women undertake unpaid, informal care roles. This has a big impact on superannuation balances. Taking one year of parental leave from full-time work will cost the average woman \$16,800 in foregone superannuation balance. If they then choose to work a four-day week for the first two years of the child's life, that figure increases to \$39,500 in foregone superannuation.⁵ For carers, the impact is even bigger. Economic analysis undertaken by Evaluate found that formal carers miss out on \$175,000 in superannuation, and Australians who are informal carers for long periods will forego \$444,500 from their retirement balance.⁶ Paying superannuation on Commonwealth carer payments and paid parental leave would go some way to addressing these issues.

Likewise, Aboriginal and Torres Strait Islander Australians face systemic issues in accumulating and also in accessing their retirement savings. The objective of the superannuation system must support equity issues between cohorts being addressed, not simply refer to equity within cohorts, to assist in minimising structural disadvantages.

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

Vision Super believes that the approach to enshrining the objective in legislation is appropriate. We cannot identify any practical alternatives. We note that the consultation paper canvasses the possibilities of the objective being enshrined in either a new stand-alone act or within the Superannuation Industry (Supervision) Act 1993. We believe the latter approach would result in a clearer picture of the alignment between the objective and the fiduciary duties in the SIS Act, and recommend that the wording of the Act be made very clear that the objective does not impinge upon the ability of Trustees to fulfill their obligations.

² <https://kpmg.com/au/en/home/insights/2021/08/gender-superannuation-gap.html#:~:text=The%20median%20superannuation%20balance%20for,gender%20gap%20is%2035%20percent>.

³ Vision Super members aged 55-64 (excluding members of the defined benefit scheme) have a median balance of \$175,000 for men, and \$152,000 for women, a difference of 14%

⁴ <https://www.aihw.gov.au/reports/australias-welfare/disability-support-pension-and-carer-payment>

⁵ <https://www.finder.com.au/superannuation-on-parental-leave>

⁶ <https://www.carersaustralia.com.au/caring-costs-us-report-finds-average-lost-earnings-and-superannuation-is-over-567000/>

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

We do not have suggestions for alternative accountability mechanisms.

For any further information about our submission, please contact Rebekka Power, Head of Communications, via email rpower@visionsuper.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Darmanin', with a long horizontal stroke extending to the right.

Lisa Darmanin
Chair