



Australian Council of Social Service

23 December 2016

Chair,
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator Hume,

Re: Superannuation (Objective) Bill 2016

Thank you for the opportunity to make this short submission regarding a legislative purpose for superannuation.

Earlier this year ACOSS prepared the attached submission to the Government's consultation on this issue, and attended a meeting for that purpose in Canberra. That submission is still relevant and we provide it to inform the work of your Committee.

We support the idea of a 'purpose for superannuation' to guide the Parliament and the Government as it develops legislation in this important area. More consensus over the purpose of superannuation would also help inform public discussion on the adequacy of retirement incomes and the role of compulsory saving and tax concessions to ensure this.

Regrettably, the goal of superannuation has become confused, with some viewing it (and associated tax subsidies) as a means to accumulate wealth or pass it on to adult children. Others view superannuation as an alternative to public funding of essential health and aged care services. We do not support these views: superannuation, along with the Age Pension, should ensure that everyone has a minimum adequate income in retirement.

The obvious difficulty is that views on how 'adequacy' should be understood and measured vary. The current Bill proposes that the purpose of superannuation is to:
'provide income in retirement to substitute or supplement the age pension.'

The proposed subsidiary objectives (for inclusion in regulations) are to:
'facilitate consumption smoothing over the course of an individual's life; manage risks in retirement; be invested in the best interests of superannuation fund members; alleviate fiscal pressures on Government from the retirement income system; and be simple, efficient and provide safeguards'.



We indicated in our previous submission that this was not the ideal definition of the purpose of superannuation. ACOSS proposed the following:

'The purpose of superannuation is to ensure that as many people as possible can attain an adequate income in retirement, higher than the Age Pension, through an acceptable level of compulsory saving, and fair and sustainable taxation support.'

We still believe this is a better formulation though we consider that, together with the subsidiary purposes and explanatory material, the proposed purpose would be an improvement on a status quo in which other goals such as wealth accumulation and estate management compete with the core goal of income adequacy in retirement.

We recommend that the Government continue to work with stakeholders, and involve the public, in discussions to reach a consensus on how an 'adequate income in retirement' should be defined for both superannuation and Age Pension policy purposes. Any attempt to reach agreement on a specific benchmark, such as the ASFA 'comfortable living standard', is bound to fail given the diversity of views; but it should be possible to reach broad agreement on a set of principles that clarify what 'adequacy' means for those purposes.

In our previous submission we proposed two principles that are worth repeating here.

First, we suggested that compulsory retirement saving through the Superannuation Guarantee should support a 'decent' living standard above pension levels that is 'worth saving for'. This is consistent with the idea of 'consumption smoothing' in the Government's proposed regulations.

We suggested that the 'target' living standard for this purpose should be higher than that which can generally be reached by people living on the maximum-rate pension but no greater than the average living standard of the vast majority of wage-earners and their families; since it would not be reasonable to force a large number of people to save to achieve in retirement a higher living standard than they already have in working life.

This should take account of the fact that a typical retiree household requires much less income to reach the same living standard as a typical working-age household, due to lower housing costs and the absence of dependent children.

Second, we suggested that superannuation tax concessions should support a retirement living standard that is generally considered 'worthy of public support'. This should be higher than the living standard reached by people living on the maximum-rate pension but no greater than that of a middle-income (median) taxpayer of working-age and their family.



The basis for this is that it would not be reasonable to expect a majority of working-age taxpayers to support a retirement living standard for others that is greater than their own.

The 'comfortable' living standard benchmark developed by ASFA falls into this category. This is more relevant to the top 20% of wage earners and retirees than to low or middle-income households. It includes, for example, overseas travel every five years and weekly restaurant meals with quality wines. This standard of living is beyond the reach of most people. We do not think it is reasonable to require low and middle income-earners to effectively pay more tax or forego services to cover the cost of tax concessions to assist a minority of people to reach this standard.

We hope this assists the Committee in reaching a conclusion in this complex and important area, and agree to the publication of this submission on the Committee's website.

Should the Committee require more information, I can be contacted at this office.

Yours sincerely,

Peter Davidson,
Senior Advisor,
On behalf of Dr Cassandra Goldie
Chief Executive Officer, ACOSS