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9 February 2024

Mr Alan Raine,
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

Dear Mr Raine,

Superannuation (Objective) Bill 2023 [Provisions]

CPA Australia represents the diverse interests of more than 170,000 members, working in over 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

The *Superannuation (Objective) Bill 2023* proposes that the core principles of the superannuation system are safeguarded by legislating a defined objective. The objective is intended to benchmark the system's performance and guide future policy making, enabling a discussion about what future means and incentives are required to underpin the objective.

CPA Australia supports the certainty that legislating an objective of superannuation brings. However, it is only one part of the retirement income system. In this submission, we have recommended that an objective for the broader retirement savings system must first be set before an objective for superannuation is set, and subsidiary objectives, including provision for death, disability and terminal illness, must be agreed to support the objective and to clarify its boundaries.

It is crucial to recognise that superannuation is just one component of Australia's broader retirement savings framework and should not be examined in isolation from the rest of the retirement income system. Thus, before setting a superannuation objective, a clear vision for Australia's retirement income system must be articulated, encompassing not only superannuation but also other matters relevant in the context of Australia's retirement income system, including the Age Pension and the broader social security landscape, income, savings, assets outside of superannuation, aged care, healthcare, residency options in retirement, and strategies for retirees utilising these resources. These desired objectives are in line with the OECD's [three-tiered pension system framework](#).

The Explanatory Memorandum (EM) to the Bill acknowledges (at paragraph 1.2) the collaborative nature of the retirement income system, comprising superannuation, the Age Pension, and private savings, which collectively support Australians in retirement. Superannuation plays a central role, serving as individuals' compulsory savings during their working lives and subsequently facilitating their retirement through asset drawdown. Also acknowledged is the concessional tax treatment, which deferred savings requires.

CPA Australia has raised concerns throughout the consultation process around the compatibility of the proposed superannuation objective, particularly its focus on the interaction between the superannuation system and government support, with the broader retirement income system, as noted above. Additionally, the announcement of measures such as the Better Targeted Superannuation Concessions – which includes an extra 15% tax on notional superannuation earnings above \$3 million – raises concerns about consistency and holistic alignment with defined objectives for superannuation and retirement savings.

The imposition of the new tax introduces a new threshold and treatment for higher balances in superannuation, similar to disincentives which are also in place via a series of contribution caps and balance limits. Adjustments such as this new tax should be made as part of a comprehensive review concerning superannuation tax concessions, and the complexities arising from existing caps, thresholds, and limits. Any reforms to superannuation must also consider their interaction with the tax and transfer system.

Additionally, we highlight the importance of ensuring that any objective is consistent with the sole purpose test – and its available ancillary benefits. Any mismatch between Australians' retirement expectations and the objective affects not only retirees, but also those saving for retirement.

Subsidiary objectives are needed since, while the Bill acknowledges exceptional circumstances for accessing superannuation, such as death or disability of a fund member, we have serious concerns regarding the relegation of insurance benefits to a 'last resort' status, as paragraph 1.24 of the EM claims. Comments elsewhere in the EM regarding the availability of group insurance notwithstanding, the role of insurance within superannuation is crucial, with individuals relying solely on these benefits to the exclusion of all other personal insurance benefits. It is important to clarify that benefits for death, illness, and injury from superannuation should be considered a primary resource rather than a last resort, aligning with community expectations.

In this submission, we also recognise the importance that subsidiary objectives need to play in supporting consumption smoothing and risk management. It is important to identify the role of superannuation in accumulating savings during one's working years, not solely focusing on income delivery. Superannuation serves to smooth income and consumption throughout an individual's life, maintaining their standard of living to a reasonable level in retirement. Whilst we endorse the promotion of income streams in retirement, it is crucial to acknowledge that

¹ Australian Bureau of Statistics (ABS) (2024) *Labour force, Australia, December 2023*, [abs.gov.au](http://tinyurl.com/2drnx4yv). Available at: <http://tinyurl.com/2drnx4yv> (Accessed: 08 February 2024).

retirees will still require access to lump sum benefits for various expenses, from vacations to essential home improvements and aged care and healthcare costs late in retirement.

The Bill underscores the importance of safeguarding superannuation for retirement purposes. However, the notion of 'preserving savings' might be narrowly interpreted to only encompass compulsory superannuation savings, especially as it solely references government support, overlooking the broader voluntary contributions aspect. There is a notable absence of encouragement of voluntary contributions beyond the mandated Superannuation Guarantee, and voluntary contributions are not even contemplated in paragraph 1.2 of the EM, discussed earlier. We question why aspirations to enhance self-provision in retirement, which could elevate living standards in retirement and bolster national savings, are seemingly out of the scope of the objective's proposed wording.

Moreover, there is a lack of recognition in the proposed objective regarding the societal and economic benefits which accrues from compensating individuals for forgoing their employment income and prioritising savings for retirement over the employment years. Superannuation has conventionally been perceived as a social contract between the government and the populace, yet this fundamental aspect is not apparent in the proposed objective. Despite Australians' aspirations for a comfortable retirement beyond the provisions of the Age Pension, the objective fails to acknowledge or support this ambition, casting doubt on its inclusivity and alignment with public expectations.

CPA Australia recommends that the objective be reworded to support aspirational savings, in addition to merely preserving them.

For the superannuation objective to effectively guide policy and legislative changes, it requires a commitment from all arms of government to align their actions with this objective. It is crucial to acknowledge the absence of mechanisms for holding governments accountable or preventing future alterations to the objective. To address this, we propose periodic assessments and reporting on the compliance of future superannuation reforms with the legislated objective, as recommended by the Senate Economics Legislation Committee in 2016, to occur every five years in the Annual Report. Additionally, we suggest tasking the Australian National Audit Office (ANAO) with monitoring the government's adherence to the legislated objective and the accompanying statements of compatibility, ensuring ongoing scrutiny and transparency in policy implementation.

However, we have also made the following additional recommendations:

1. An objective for the broader retirement savings system must first be set before an objective for superannuation is set, and subsidiary objectives, including provision for death, disability and terminal illness, must form part of the objective;
2. The objective of superannuation must be compatible with the sole purpose test, and all available ancillary benefits;
3. Benefits payable from superannuation for death, illness and injury must be acknowledged as a first resort, not a 'last resort', and subsidiary objectives should be drawn up to support management of risk and consumption smoothing;
4. The objective must support aspirational savings in addition to preservation of retirement savings;

5. The compliance of future superannuation reforms with the legislated objective must be periodically assessed – by a body such as the ANAO – and reported on quinquennially as part of the Intergenerational Report; and
6. Any changes to superannuation thresholds must not proceed in isolation. These changes must be considered as part of a broader discussion regarding superannuation tax, concessions provided, and the complexities created by the myriad of caps, thresholds and limits currently in place. Any discussions regarding superannuation reform must also consider the interaction with the tax and transfer system.

In summary, our submission is intended to emphasise the importance of aligning the superannuation system with broader retirement income objectives as well as community expectations in securing Australians' retirement outcomes.

More detailed information regarding our policy positions is available in our previous submissions to Treasury, which are available below:

- Submission to Treasury in response to the consultation paper *Legislating the objective of superannuation – February 2023* (available at <http://tinyurl.com/2s47fsvm>)
- Submission to Treasury in response to the exposure draft legislation *Legislating the objective of superannuation - August 2023* (available at <http://tinyurl.com/5n8s387s>)

If you have any queries with respect to this submission, please do not hesitate to contact Richard Webb, Superannuation Lead on [REDACTED] or [REDACTED]

Yours sincerely

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CPA Australia