

# **Dissenting Report by Labor Senators**

## **Background and overview**

1.1 Labor built Australia's superannuation system. We will always work to ensure that it is fair, sustainable and sets Australians up for a comfortable life in retirement.

1.2 Labor Senators support the recommendation of the Murray Financial System Inquiry that the objective of superannuation be legislated.

1.3 Labor Senators believe that something as significant as the objective of superannuation needs proper consideration and bipartisan support.

1.4 If an objective is worth having and is worth legislating then it is worth doing properly.

1.5 Labor Senators are concerned that the Government has failed to secure sufficient stakeholder support for the proposed objective or to achieve the broad political consensus recommended by the Murray Financial System Inquiry.

1.6 The majority of written submissions disagree with the objective set out by the Government. Yet the hearing also revealed that some stakeholders are close to agreeing on key concepts to be included in a superannuation objective.

1.7 Labor Senators are disappointed that the Government abandoned discussions with the Opposition on the proposed objective. Labor had been engaging constructively and in good faith with the Government until it abruptly ended these conversations and rushed out with its proposed objective.

## **Contributions from the written submission and hearing processes**

1.8 The first criticisms of the Government's superannuation objective approach were delivered in August 2016 when in rare circumstances of agreement, the Association of Superannuation Funds of Australia (ASFA), the Australian Institute of Superannuation Trustees (AIST), Industry Super Australia (ISA) and the Self-Managed Super Fund Association (SMSF Association) wrote to the Minister, asking to meet and to consider a common objective they had developed.

1.9 Industry Super Australia (ISA) also made specific reference to the lack of consultation that occurred through the Murray Financial System inquiry:

There was no consultation on the objective of superannuation. The inquiry did not seek views on the recommended objective which found its way into the final report. As a consequence, the committee members, as esteemed as they are, did not obtain the views and perspectives of other key stakeholders in the system. If they had, they may well have landed at an objective which could obtain consensus support, which is what the inquiry recommended—that is, that an objective achieve consensus support. It has not done that.

1.10 The Australian Institute of Superannuation Trustees (AIST) also made strong comments about the lack of consultation and how close different parties in the industry are to reaching a common objective definition:

First of all, like Industry Super Australia, we believe that the process that has got us to this point is flawed and that the government should go back to the drawing board in terms of the definition. Secondly, we have an alternative view in relation to what we think should be the proposed definition and the associated processes. We have some comments to make in relation to the statement of capabilities, and we think that there are some deficiencies associated with that. Finally, we believe that the role of superannuation in contributing to national savings should be recognised as a subsidiary objective.

...

Senator KETTER: When I compare the consensus definition that emerged in your letter of 2 August to the FSC's proposed objective, I see both referring to all Australians; I see in both the use of the comfortable standard; I see that in both the word 'adequate' appears, although in different places in the objective. How far apart are you from the FSC? What do you see as the significant difference between your two objectives?

Mr Haynes: In summary, I do not see any significant difference between our position and that of the FSC. The FSC was involved in many of the discussions that resulted in the other association sending the letter of August last year and there appeared to be a high degree of consensus. I hope I am not talking too much out of school in relation to that, but, given where the FSC landed, I do not think I am.

Senator KETTER: We seem painfully close to reaching a consensus with all of the major players in the superannuation industry, if I could call it that.

Mr Haynes: Yes, and hence my earlier comment about this being a wasted opportunity if that consensus was not used as the stepping stone for the next level of consensus—that is, in discussions with government and other stakeholders.

1.11 Industry Super Australia (ISA) also made a concise statement about its concerns with the bill which were repeated in many other submissions:

There are five key reasons why the bill is deficient. Firstly, the proposed primary objective does not faithfully reflect the basis on which the system was established. That is, to enable Australians to enjoy a decent standard of living in retirement.

...

Secondly, the proposed objective does not have consensus support as recommended by the Murray review.

...

Thirdly, the objective as drafted is inconsistent with the sole purpose test and conditions of release in the Superannuation Industry (Supervision) Act—the SIS Act.

...

Fourthly, the legislative architecture is flawed, because the secondary objectives are subject to regulation rather than being included alongside the primary objective in the law. As a consequence, the government of the day may set and alter secondary objectives to suit their purposes and other policy and political objectives.

...

Finally, the objective as drafted will provide no guidance to policy development or competing policies.

1.12 The Grattan Institute in their submission and evidence stated that Australians on average are saving significantly outside of superannuation and therefore superannuation is not the main pillar of retirement income. This underpinned their claims that the superannuation guarantee level should not be lifted, that 'Most Australians can already expect an adequate income in retirement' and objectives be set for the retirement income system as a whole, not just superannuation.

1.13 ISA presented a critique of this analysis, finding that it inflates the apparent assets of low and middle income earners who actually have very little in the way of financial assets other than superannuation and are especially reliant on the superannuation guarantee to deliver income over and above the age pension. This would mean that the superannuation objective is a very important component in setting desired retirement outcomes.

## **Conclusion**

1.14 Labor Senators recommend that the Government withdraw this Bill and undertake further consultation.

1.15 Labor Senators recommend that the Government go back and consult further with stakeholders with a view to developing an objective which has stronger stakeholder support.

1.16 Labor Senators also recommend that the Government meet the recommendation of the Murray Financial System inquiry to seek broad political agreement for the objective of superannuation.

1.17 Labor Senators are willing to engage cooperatively and constructively with the Government on an objective for superannuation.

**Recommendation 1**

**1.18 The Government withdraw the Superannuation (Objective) Bill 2016**

**Recommendation 2**

**1.19 The Government recommence discussions with the Opposition and with stakeholders to reach broad political and industry support for a superannuation objective.**

**Senator Chris Ketter  
Deputy Chair**

**Senator Jenny McAllister  
Senator for New South Wales**