



The Coalition's Policy for Superannuation

September 2013

Key Points

The Coalition is committed to Australia's three-pillar retirement system: an aged pension as a safety net, a compulsory system of retirement saving through superannuation, and incentives for voluntary saving.

We encourage as many Australians as possible to actively plan and save for their retirement, to take full advantage of the benefits the superannuation system provides and to work toward a self-funded retirement.

Labor has increased taxation by almost \$9 billion on Australians' superannuation savings and removed many of the Howard Government's positive changes.

Labor's raids on superannuation have made it difficult for Australians to plan for their future.

Restoring stability and certainty to superannuation is a key part of the Coalition's plan to build a strong and prosperous economy.

To help Australians have confidence again in superannuation we pledge not to make any unexpected detrimental changes to superannuation.

Our commitment to improving competition, corporate governance and transparency in the superannuation industry will increase confidence in superannuation and the willingness of Australians to make additional voluntary superannuation contributions.



Introduction

The Coalition recognises the need to boost retirement savings as an important economic objective.

The Rudd-Gillard Government is the biggest spending government in the nation's history.

They have delivered the five biggest Budget deficits in our history with more deficits forecast until after the next election.

Australians have been forced to pay the price for Labor's waste and economic mismanagement through higher taxes on their superannuation savings.

We recognise that superannuation is an important part of our financial system and our national savings pool. Australians should feel confident that their retirement savings are protected by a well regulated system. Superannuation will be included in the Coalition's inquiry into the financial system so that the integrity of our superannuation system will be able to withstand future challenges.

The Coalition will restore confidence in superannuation and ensure people have the right incentives to invest in their superannuation accounts.

The Plan

1. Certainty and Stability

The Coalition makes this pledge: we will not make any unexpected detrimental changes to superannuation.

We will deliver greater stability and certainty on superannuation – we won't move the goalposts.

We will ensure that no more negative, unexpected changes occur in the superannuation system so that Australians planning for their retirement can do so with confidence.

Under the Coalition, the superannuation guarantee will increase from nine to 12 per cent.

But the gradual increase will be delayed by two years because this money comes largely from business and wages – not from government – and our economy needs encouragement as mining investment starts to wane and new sources of growth are needed. This will mean that people will have more take home pay to ease cost of living pressure.



2. Ensure Fairer Taxation

The Coalition will work with key stakeholders in the superannuation industry to develop an appropriate process that addresses all inadvertent breaches of the contribution caps where an individual can show that their mistake was genuine and the error would result in a disproportionate penalty.

An increasing number of Australians are confronted with large tax penalties as a result of genuinely unintentional errors resulting in their voluntary contributions exceeding their concessional or non-concessional caps.

The penalty may be as high as an effective tax rate of 93 per cent and can be due to actions and mistakes on the part of others, whether the employer or the superannuation fund administrator.

Labor has provided an inadequate and partial response to the problem.

We will also revisit concessional contribution caps and incentives, such as super co-contributions, for lower income earners once the Budget is back in a strong surplus.

3. Pay Superannuation on Paid Parental Leave

The Coalition acknowledges the disparity between the average retirement incomes of men and women. That's why the Coalition believes that superannuation contributions must be paid while women are receiving paid parental leave so that women are not further disadvantaged when it comes to their retirement savings.

The Coalition's paid parental leave scheme will pay superannuation contributions at the compulsory superannuation rate based on a woman's actual wage.

Only the Coalition's scheme includes superannuation – unlike Labor's scheme which does not.

As the Coalition's scheme includes superannuation, a woman earning the average full-time female salary of \$65,000 who has a child at 26 years of age and another at 29 years of age will be around \$50,000 better off in retirement than she would have been under Labor's scheme, which does not include superannuation.

4. Improving Governance in Superannuation

To improve standards and better manage conflicts of interest, the Coalition will align corporate governance in superannuation more closely with the corporate governance principles applicable to ASX listed companies.



The Coalition is committed to improving superannuation governance by ensuring that there is:

- appropriate provision for independent directors on superannuation fund boards;
- mandatory disclosure of conflicts of interest ; and
- a requirement for specific advice to APRA by those who intend to sit on multiple superannuation fund boards that there is no potential for conflicts of interest.

The Cooper Review into the governance, efficiency, structure and operation of Australia's superannuation system questioned the financial expertise and professionalism of union and employer trustees who are appointed to superannuation boards through the 'equal representation model.'

Labor has either opposed or ignored many sensible recommendations made by the Cooper Review to improve governance arrangements without providing an acceptable explanation.

The Coalition will work with all relevant stakeholders to ensure Australia's superannuation system has appropriately high standards of corporate governance.

5. Enhancing Transparency of Information

The Coalition will improve the quality of information available to super fund members and employers so that they can make informed decisions when comparing the relative performance of funds.

In conjunction with the industry and APRA we will implement industry-wide definitions and performance benchmarks that will enhance comparability and thus competition, including:

- standard reporting of fees;
- standard reporting for gross and net returns on individual investment options; and
- comparable definitions for asset classes and investments.

These improved reporting standards will contribute to increased transparency, a more informed market and consequently to greater competition delivering increased value to consumers.



6. Cutting Red Tape

The Coalition will streamline employer superannuation reporting and cut red tape by implementing a superannuation clearing house through the Australian Taxation Office.

Under our proposal, small business would report superannuation payments to the agency that already collects their PAYG payments, instead of having to submit additional forms to Medicare, which they currently must do under Labor's flawed scheme.

We will also prioritise the Cooper Review-recommended efficiency reforms 'SuperStream' that will allow Australians to consolidate their superannuation and help employers make superannuation contributions by integrating superannuation with other payments (such as for salaries and creditors).

7. Risk Management

Product innovation and increased choice in retirement products can provide significant benefits for Australians looking for options to better manage the financial risks they face in retirement, such as market risk, inflation risk and the risk that they may outlive their retirement savings.

As a priority, the Coalition will review the regulatory barriers currently restricting the availability of relevant and appropriate income stream products in the Australian market.

We will work with the financial services sector and regulators to encourage the development of such innovative products whilst ensuring that appropriate safeguards are in place to protect consumers.

8. Minimum Withdrawal Amounts from Account Based Pensions

The turbulence in financial markets over the past five years has placed the capital value of account based pensions under significant pressure, which the current mandated annual minimum withdrawals from such pensions has increased.

Labor's response has been *ad hoc* and piecemeal. They have failed to develop a permanent or appropriate solution. Instead, Labor has created fear and uncertainty amongst self-funded retirees that their pensions may run out during their lifetimes because of the minimum payment requirement.

The Coalition will conduct a review of the minimum payment levels to assess their adequacy and appropriateness in light of current financial market conditions, and so



provide self-funded retirees with confidence that their funds will not run out because of inappropriate forced withdrawals from their pension products.

9. Fair Indexation of Military Superannuation

The Coalition will deliver fair indexation to military superannuants.

Recipients of the Defence Forces Retirement Benefits (DFRB) and the Defence Force Retirement and Death Benefits (DFRDB) military superannuation pensions will see their payments indexed in the same way as aged and service pensions.

All DFRB and DFRDB superannuants aged 55 and over will benefit.

Under the Coalition, 57,000 military superannuants and their families will be better off.

The Coalition is committed to ensuring fairness for our retired military personnel and to ease their cost of living.

Not only will DFRB and DFRDB superannuants see their benefits fairly indexed – they will also see their cost of living made easier by the repeal of the carbon tax.

The government does not increase Centrelink pensions just by the consumer price index, so it is not fair to apply only that index to the pensions of those who have risked their lives for our country.

Loyalty goes both ways.

The very least we can do is pay ex-servicemen and women a retirement benefit that increases in line with the increases received by regular pensioners.

The Choice

Labor has weakened the voluntary savings pillar of superannuation by:

- increasing taxes on voluntary savings by lowering concessional contribution caps from \$50,000 and \$100,000 to \$25,000 and freezing the indexation of that cap;
- reducing the government's superannuation co-contribution from \$1,500 to \$500 and reducing the eligibility thresholds, making it harder for low and middle income earners to qualify;
- introducing a new tax on superannuation for people earning more than \$300,000 a year; and



- increasing the supervisory levy paid by self-managed superannuation funds by 36 per cent to \$259.

Labor has failed to fix the problem of people being liable for disproportionate penalties when they inadvertently breach their contributions caps.

Labor has failed to deliver on its promise to introduce genuine competition and transparency into the default superannuation fund market.

Their anti-competitive, closed shop approach gives an unfair advantage to one segment of the market which has close relations to Labor. Real competition would help maximise value for all Australians whose savings are directed into a default superannuation fund.

The Coalition has pledged not to make any unexpected negative changes to superannuation.

Choosing Labor means putting your superannuation savings at risk of increased taxes because they do not have the discipline to wind back spending. Taxing superannuation is Labor's easy way out.

Australians can choose a superannuation system that provides Australians with the capacity and incentive to save for a self-funded retirement.

The Labor alternative is a superannuation system that imposes more and more restrictive conditions on Australians who are planning for their retirement. Labor's approach has not helped women properly fund their retirement at a time when they are best able to do so.

The Coalition recognises that an efficient, transparent and competitive superannuation system requires the highest standards of corporate governance in order to deliver the best possible value for superannuation fund members.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au