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Ms Wilkinson

RE: Treasury Consultation – Objective of Superannuation

BT Financial Group (BTFG) welcomes the opportunity to provide feedback on the Objective of Superannuation discussion paper, which proposes to introduce a defined Objective of Superannuation into legislation. It is intended that this objective will serve as a guide to policy makers, regulators, industry and the community regarding superannuation's fundamental purpose.

BTFG supports enshrining the objective of superannuation into the legislation. We believe a clear objective will ensure superannuation policy settings are stabilised and subject to fewer changes, irrespective of the Government of the day. Greater stability will improve long term confidence in and growth of the superannuation system for all Australians.

Historically the Australian economy has been a strong beneficiary of super. It is well recognised that the more money retirees have in private savings, the more they can spend on supporting the domestic economy. For this reason we believe the objective of super should be aspirational and forward-looking.

The superannuation system has been subject to many reviews and policy setting changes over the last decade. We believe that the frequent changes to the policy settings and also the frequency of reviews are undermining long term confidence in the system, and reducing the propensity of Australians to make the additional voluntary contributions needed for most to achieve an adequate retirement.

In the drafting the objective of superannuation, there needs to be recognition that it will not be until nearly 2050 that the system will start to see the first retirees who have enjoyed a working lifetime of 9% or higher compulsory superannuation guarantee contributions.

The 2015 Intergenerational Report highlighted the challenges facing Australia's economy over the next four decades. Declining workforce participation, increasing longevity and a moderately increasing population present significant policy challenges for today's governments.

In light of these changing demographics we believe the key challenges facing the superannuation system over the next 20 years are ensuring the system delivers on adequacy, equity and sustainability while accommodating the increasing life expectancy of the average Australian.

BTFG believe the measure of adequacy that will support a good quality of life and independent retirement for Australian retirees is one that is linked to pre-retirement salary. The report of the Senate Select Committee on Superannuation into Superannuation and standards of living in retirement (December 2002) recommended 60-65% of pre-retirement income as an appropriate target. We believe that 65% of pre-retirement income up to two times Average Weekly Ordinary Times Earnings (AWOTE) is an appropriate target as it provides a link between pre and post retirement income, recognising that the Superannuation Guarantee is based on an individual's employment income. The cap recognises that some households rely predominantly on one salary to fund their pre and post retirement income.

We believe that the objective proposed in the discussion paper *'To provide income in retirement to substitute or supplement the age pension'*, is not consistent with a superannuation system that provides adequacy, equity, and sustainability. BTFG believes the objective should be broader than just substituting or supplementing the Age Pension. The objective should provide Governments and policymakers with clarity and purpose to allow for future policies to be tested against the objective.

BTFG recommendation:

We recommend that the objective of superannuation be as follows:

To provide Australians with an adequate replacement income in retirement that allows retirees to live a good quality of life with independence and remain an active consumer in the economy, ensuring the cost of retirement is equitable and sustainable for the government and future generations.

An adequate replacement income is 65 per cent of an individual's pre-retirement income, including the age pension, up to a maximum of twice average weekly earnings. This recognises that many households may need to rely on a single retiree's superannuation savings to support their retirement.

We also recommend that the Objective of Superannuation be enshrined in a separate Act in recognition of:

1. The importance and value of the 'guiding principle' the objective provides, and
2. The breadth of legislation across which the superannuation system regulation spans.

We would be pleased to meet with you to discuss any element of our submission.

Yours sincerely



Melinda Howes
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BT Financial Group