



Association of Independent Retirees (A.I.R.) Limited

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Charter of Superannuation Adequacy and Sustainability and Council of Superannuation Custodians Response to the Discussion Paper of 9 May 2013

The Association of Independent Retirees (A.I.R.) Ltd, with national membership of 8,000 across 69 Branches Australia wide, represents the interests of self-funded retirees. Its Mission is to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.

Charter of Superannuation Adequacy and Sustainability

The Minister for Financial Services and Superannuation, Bill Shorten MP in the introduction to the Discussion Paper set out the intent of the Charter: “The intent of the Charter is to enshrine the core objects, values and principles of the Australian superannuation system, so that Australians can have confidence that superannuation policy is consistent with long term goals of providing for a secure and comfortable retirement income.”

A.I.R. believes that the Charter should contain:

1. A definition of superannuation covering the matters raised in the Minister’s statement establishing the Charter,
2. The statement and discussion of the core principles underlying the approach to superannuation,
3. A statement of the rights and responsibilities of the respective parties: superannuants, government, superannuation and investment industry, and employers,
4. The structure, roles and powers of the Council of Superannuation Custodians.

Each of these is discussed in the following sections.

Definition of Superannuation

A.I.R. proposes that the matters raised in the Minister’s Introduction to the Discussion Paper should be included in the definition. These are:

“Australia has a three pillar approach to the provision of retirement incomes, comprising the means tested and publicly funded Age Pension, compulsory private savings through the Superannuation Guarantee arrangements, and voluntary private savings supported by taxation concessions.”

“Superannuation was designed to reward and support all Australians to save for a comfortable, secure and financially adequate retirement. We owe it to all Australians, present and future, to

sustain a system that gives everybody a fair shot at a decent and dignified retirement. This is the ongoing objective of superannuation.”

Core Principles [Discussion Paper Questions 1 and 2]

To support the key components of the definition as outlined above, A.I.R. proposes that the core principles should be:

- **Self-agency:** individual responsibility for building and using savings to meet a comfortable, secure, and financially adequate retirement, regulatory flexibility to manage savings in accumulation and drawdown.
- **Certainty:** creating community confidence, recognition of the long term nature of superannuation, caution in changing rules and regulations, simplicity and consistency in regulations, transparent consultation processes between stakeholders. [Discussion Paper Questions 3, 4 and 9]
- **Adequacy:** encouragement to build adequate savings for retirement, equity of government contributions. [Discussion Paper Question 5 – establishment of appropriate benchmarks should be the role of the Council, not the Charter]
- **Sustainability:** matching savings and level of support to national economic imperatives, managing longevity risks, minimising costs to individuals and employers, recognising inherent trade-offs and interactions between associated systems, intergenerational costs and benefits of superannuation savings and tax concessions [Discussion Paper Questions 10 and 11].

The proposed core principle of fairness is not supported because it means very different things to different superannuants and to different groups of stakeholders.

The issues raised in Questions 7 and 8 are operational type issues and should be included in the role of the Council rather than in a Charter.

Rights and Responsibilities of the Stakeholders

The key stakeholders are individual superannuants, the government, the superannuation industry, and employers. The rights and responsibilities of the respective groups are summarised below.

1. Individuals should:
 - a. Be encouraged to build retirement savings beyond the finite extent that can be supported through superannuation.
 - b. Be encouraged to undertake education in the responsible use of retirement savings,
 - c. Have individual rights recognised and protected. These include:
 - i. choice in how funds are invested and in what products,
 - ii. decisions on how funds will be used in retirement.
2. To build community confidence in superannuation governments should:
 - a. Ensure that the level of government support is consistent with a sustainable Australian economy over a time frame consistent with the superannuation time frame,
 - b. Create certainty by minimising changes to level of support, subjecting proposals for change to a high burden of proof, and giving appropriate notice of change,
 - c. Use the mechanism of capping individual input to superannuation as the primary method of controlling the level of government support,

- d. Create consistent, simple and transparent regulations easily understood by superannuants and the community through an open consultation process with stakeholders,
 - e. Encourage education of superannuants aimed at optimum use of retirement funds,
 - f. Prudentially regulate the superannuation industry.
3. The superannuation industry should build community confidence through:
- a. Transparent reporting and credible governance,
 - b. Investment strategies consistent with government policies to enhance Australia's economic prosperity,
 - c. Simple fund and inter-fund administrative arrangements with demonstrably low fees and costs,
 - d. Competitive investment products giving flexibility of choice in accumulation and in drawdown.
4. Employers should:
- a. Assist employees in ascertaining their rights and options,
 - b. Provide flexibility of choice of superannuation fund,
 - c. Transfer individual's funds to superannuation in a timely fashion,
 - d. Build trust with employees that their superannuation contributions are being properly administered.

Council of Superannuation Custodians

An independent Council should be established with the following modifications to the matters raised in the Discussion Paper:

The name of the Council should be changed to remove the term 'Custodian' which implies ownership of the funds. One suggestion is Superannuation Advisory Council, which better reflects its role.

The Charter should take the form of a policy document, and enshrined in legislation [Discussion Paper Question 12].

The Council should be a statutory body.

Role of the Council [Discussion Paper Question 13]

The Council should act as an impartial, expert superannuation body, effectively 'stewards' of the superannuation system. Its role could be to:

- Assess the compatibility of proposed future superannuation policy changes or legislation referred to it against the Charter.
- Consult where required on issues referred to it by the Minister.
- Produce annual reports on the adequacy, performance and sustainability of the system.
- Conduct and commission research and publish statistics including standard variables for use by stakeholders in advertising and by the Council in assessment of proposals. (suggested change underlined).
- Make recommendations for improvements to the superannuation system on its own initiative (suggested change underlined).

Powers of the Council [Discussion Paper Questions 14 and 15]

To fulfil its role the Council should have the following powers:

- To make assessments of all proposed superannuation policy changes against the principles of the Charter before these are proceeded with in legislation (suggested change underlined).
- The authority that these assessments would be tabled in Parliament to inform consideration of any proposed legislation (It is suggested that this power be deleted in favour of the revised one above).
- The ability to conduct research and publish statistics and reports.

Structure of the Council [Discussion Paper Questions 16 and 19]

A.I.R. proposes that the Council should be a statutory body with the following structure:

1. A small Council no greater than eight persons:
 - a. Chosen for their understanding and experience, not representative of any vested interest Association or Group,
 - b. Inclusive of members of the key stakeholders, superannuants, Government, public industry, SMSFs, and employers in a balanced manner,
 - c. Chairman appointed by the Government ,
 - d. Fixed terms of three years non-renewable.
2. A Group of experts able to be drawn on by the Council for particular projects and representative of all stakeholder interests.

Relationship with other Bodies [Discussion Paper Questions 17 and 18]

A.I.R. proposes that:

1. Advisory bodies such as the Superannuation Round Table should be removed,
2. Advisory bodies such as the Corporations and Markets Advisory Committee (CAMAC) should be established under the Council and report to it,
3. Operational bodies such as the Superstream Advisory Council should be appointed by and required to report to the Council on a regular basis,
4. Independent advisory bodies such as the Superannuation Complaints Council should remain independently appointed as at present,

End:

Enquiries about the content of this submission should be forwarded to:

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