

Actuaries Institute issues superannuation objectives submission

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The Actuaries Institute today released its submission on the objective of superannuation, calling on the Government to develop comprehensive guidelines for an equitable and flexible system that allows Australians to live a comfortable retirement.

In its submission to the Treasury, the Institute noted the Financial System Inquiry recommendation last year to establish a clear objective that the superannuation system should provide income in retirement.

“However, the Institute would go further than that,” the submission said, calling on the Government to provide objectives for the whole retirement system including the Age pension and Superannuation Guarantee, with complementary objectives for each component. Lindsay Smartt, the President of the Institute, said research shows that most Australians will not have a sufficient amount of superannuation to live comfortably in retirement and will still require Age Pension payments at some period from age 67 onwards. “One of the objectives of superannuation should therefore be: To supplement the Age Pension in order to provide a combined level of income that allows Australians to live a dignified retirement,” said Mr Smartt.

On the question of what is an adequate level of retirement income, the Institute said rather than target a percentage (for example 65% of a person’s after tax pre-retirement income, which favours high income earners), a better approach would be to target a dollar amount which is determined after taking into account the after-tax income of the majority of working Australians as well as any relevant research into retirement living standards. For example, a suitable variation of the Association of Superannuation Funds of Australia (ASFA) “Comfortable” level might be appropriate.

“If we can get at least 50% of Australians up to the ASFA Comfortable level using just their superannuation savings and the Age Pension, then we will certainly be a long way towards achieving a reasonable standard of living in retirement for most Australians,” Mr Smartt said.

The Institute also said that “there should be a target in relation to the proportion of Australian pensioners living below the poverty line (currently 36% according to the OECD)”. “This might mean increasing the Age Pension and/or specifically targeting some pensioner groups (e.g. by increasing rental assistance). In our view, a country like Australia should lead the world in poverty alleviation,” the submission noted.

Mr Smartt said objectives for the whole retirement system should take into account the need for flexibility due to different retirement needs, fiscal sustainability, adequacy, poverty alleviation, equity and fairness.

“The Institute believes that an equitable and sustainable retirement income system that efficiently delivers on its objectives will not need the ongoing tinkering that has been a feature of the superannuation system for decades,” the submission said.

Note:

“Complementary” objectives outlined by the Actuaries Institute in its submission include:

- ▶ Consider reintroducing maximum withdrawal factors for income streams.
- ▶ Lump sums above \$195,000 to be taxed at 15% plus the Medicare levy.
- ▶ Maintain means test exemption on home equity releases.
- ▶ Establish specific target in relation to fiscal sustainability of the system (such as combined taxpayer cost of the age pension and superannuation tax concessions).
- ▶ Extend the Division 293 tax to individuals with an adjusted taxable income of more than the sum of \$180,000 plus an allowance for superannuation contributions, which would provide a tax concession on superannuation contributions of between 15% and 22% for most people.
- ▶ Establish a limit on tax concessions on investment earnings supporting a superannuation income stream (investment earnings on amount above \$2.5m to continue to be taxed at 15%).
- ▶ Remove regulatory barriers on the development of retirement income stream products such as deferred lifetime annuities.

Download the submission [here](#).

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As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance and health financing.