

Greater retirement outcomes

UNISUPER SUBMISSION ON LEGISLATING THE OBJECTIVE OF
SUPERANNUATION

26 September 2023

We support legislating an Objective of Superannuation and recognise that it should provide greater policy stability resulting in greater certainty for members when determining their retirement income needs. Through documenting an Objective that identifies the key purpose of superannuation, to preserve savings and provide income in retirement, funds can have a clear benchmark to ensure they fulfil their duty to members.

While we support the proposed objective and supporting materials, we believe it could be further enhanced through,

- Greater emphasis that when evaluating future policies against the Objective the key consideration should be the effect of any policy on delivering income, replacement rates and the ability of retirees to smooth their consumption over their lifetimes,
- Building on the recognition of group insurance in the explanatory memorandum for the Objective, it should be further expanded to include financial advice which is key to providing optimal retirement outcomes.

Context

UniSuper supports the Superannuation (Objective) Bill 2023 and the intention to codify a shared purpose of superannuation which recognises that each member should target their own replacement rate to maintain their standard of living into retirement. We support the recognition that a dignified retirement is subjective, this allows us to continue to pursue our fundamental goal: to provide the best possible retirement outcomes for our members

The legislated Objective, supported by a statement of compatibility, will give industry and policy makers clear guidance that superannuation's primary focus should be to income in retirement. Bringing stability and certainty to policy settings will bring clear benefits to both members – who need to make long-term decisions – and to trustees who also have to make long term planning decisions about how to deliver great member outcomes rather than divert resources to respond to ongoing policy change.

To ensure this is achieved we support the creation of stand-alone legislation which does not impact the SIS Act and express provisions that provides clarity around existing interpretations of other laws and governing rules, which should not be impacted. In addition, we would appreciate greater clarity on how the Objective will be applied and by whom with clear guidance on whether inconsistency, in part or the whole, with the objective impacts the validity of potential legislation. Finally, to avoid confusion following the publication of the climate taxonomy we recommend greater clarity around the use of the term 'sustainability', this could be addressed through inserting the word 'fiscal' prior to prevent any confusion around a potential environmental purpose of the Objective.

We support the inclusion of the role of group insurance in the explanatory memorandum as it recognises the importance of insurance within superannuation and how it can help members achieve a dignified retirement. We query if it would be appropriate to also recognise the importance of financial advice which supports members through retirement transition. As the Objective includes the term 'dignified' and highlights 'government support' the inclusion of financial advice in the EM and its role in helping Australians navigate a challenging transition would help shape the debate around the future of advice and its importance as an ancillary benefit.

The Objective could serve as a useful yardstick for future policy decisions affecting the superannuation system. A well-functioning legislated objective should also leave super fund trustees to their core business of delivering retirement outcomes, fulfilling other duties under the SIS Act such as core and ancillary purposes. To the extent that future policy

choices recognise and support super trustees delivering on their obligations under the legislated Retirement Income Covenant the better.

About UniSuper

UniSuper began with a single, compelling idea: we can deliver better value. We're now one of Australia's largest super funds, with more than 620,000 members and over \$115 billion in funds under management.

We're passionate about securing the future of our members, sharing in a wealth of wisdom and collective know-how.

We empower our members to be confident about their future and make better financial decisions.

About this submission

UniSuper would welcome the opportunity to discuss the submission further and to provide additional information in respect of the comments made in this submission.

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