



5 February 2024

Mr Alan Raine
Senate Standing Committees on Economics
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Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Mr Raine

RE: Senate Economics Legislation Committee Inquiry - Superannuation (Objective) Bill 2023

The Financial Services Council (FSC) welcomes the opportunity to make a submission to the Senate Economics Legislation Committee on the *Superannuation (Objective) Bill 2023* (the Bill).

The FSC has long supported enshrining the objective of super into law, as we believe this step will deliver greater stability and congruence to superannuation policy settings and in turn enhance the public confidence needed in a retirement savings system.

The FSC has participated in consultations run by the Treasury through the development of this legislation and believe the resulting Bill achieves the Government's aims while avoiding unintended outcomes for superannuation members and superannuation trustees.

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, and financial advice licensees.

The financial services industry is responsible for investing more than \$3.5 trillion on behalf of over 15 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

Enshrining the Objective in a standalone Act will remove legislative uncertainty for trustees

In March 2023, the FSC shared legal advice¹ noting complications that would arise if the Objective was added into existing Superannuation law, in particular the risk that that the Objective could impact the existing trustee obligations such as the best financial interest duty or sole purpose test provided for in the *Superannuation Industry (Supervision) Act 1993*. Further, we noted that standalone legislation will also provide a single reference point for all future changes to superannuation, tax or social security policy.

In October 2023, the FSC submitted our support² of the adopted approach of enshrining the Objective into the Bill through the Treasury's consultation on the exposure draft of the Bill.

¹ [FSC Submission - Objective of super \[March 2023\]](#)

² [FSC Submission – Objective of super exposure draft \[October 2023\]](#)

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RECOMMENDATION 1

The FSC continues to recommend that the current approach of the Bill be maintained, whereby the Objective of Super is to be enshrined as a standalone Act.

Insurance arrangements in Superannuation must be open to Government oversight

In October 2023, the FSC submitted that the Explanatory Material surrounding the benefits of group insurance in the superannuation system be clarified to show the Government's concerns that service standards in group insurance need to be improved and may require regulatory reform, in line with commentary by the Government. The proposed "Context on the broader benefits of the superannuation system" chapter of the Explanatory Material, in particular item 1.20, continues to provide a strong statement on the benefits of group insurance arrangements in superannuation without further clarification of the need for improvement on service standards.

The FSC acknowledges that a 'set and forget' approach to current arrangements for group insurance arrangements in superannuation may not be sustainable. For example, ASIC's Default insurance in superannuation: Member value for money, Report 675, identifies that identical members can get very different default insurance. The Productivity Commission³ and Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry⁴ also both also formally recommended a review into group insurance over coming years that have not yet been implemented.

The FSC supports measures that ensure consumers are confident that system wide settings for group insurance arrangements continue to deliver consistently good outcomes and align with the broader objective of superannuation.

We note that if the Government chooses to proceed with a future review of group insurance settings in superannuation, the implementation of the Bill will ensure that review would benefit from the guidance of an objective of superannuation.

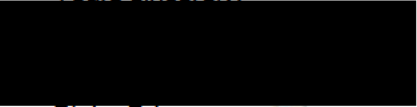
RECOMMENDATION 2

The FSC recommends that the drafting of the Explanatory Material clarify that the Government will assess the consumer outcomes of group insurance against the enshrined objective of superannuation.

The FSC offers our broad support for the Bill and Explanatory Materials to enshrine the Objective of Superannuation into law.

I would be more than happy to answer any questions you may have on this submission.

Yours sincerely,


Blake Briggs
Chief Executive Officer

³ Recommendation 18 of the Productivity's Commission's 2018 Inquiry Report into the efficiency and competitiveness of superannuation.

⁴ Recommendation 4.13 - Universal Terms Review