

Legislating the objective of superannuation

Submission

9 February 2024

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About The Conexus Institute

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About David Bell

Dr David Bell is Executive Director of The Conexus Institute. Bell's career has been dedicated to the investment and retirement sector. He has worked with both commercial and profit-for-member firms, and ran his own consulting firm. Bell worked with APRA in the development of the APRA Heatmap. Academically, Bell taught for 12 years at Macquarie University and in 2020 completed his PhD at UNSW which focused on retirement investment problems. Full bio [here](#).

About Geoff Warren

Dr Geoff Warren is a Research Fellow with the Conexus Institute and an Honorary Associate Professor at the Australian National University, as well as a member of various investment and research advisory boards. Warren's research focuses on investment-related areas specially including superannuation and retirement, and is widely published in leading journals. He has a prior career in the investment industry spanning over 20 years. Full bio [here](#).

***** The authors are willing and able to participate in further consultation. *****

1. Summary and recommendations

We support the legislation of an objective of superannuation and the objective detailed in the Superannuation (Objective) Bill of 2023. Beneficial outcomes could include more consistent policy formation and improved policy accountability. The proposed wording is clear and aligns with our view of the objective of superannuation. A number of attempts have been made to legislate an objective of superannuation, and there has been some disagreement of the framing. It is likely that most people will view this legislation as very good but not perfect. We consider the proposed wording as reasonable and likely to have beneficial effects. It would be a loss if it were not to proceed through the Parliament.

Noting the absence of specific consultation questions, we provide a summarised set of recommendations that we proposed in previous submissions.

1. The Context of Amendments set out in the Explanatory Memorandum, perhaps inadvertently, sets out the case for creating an objective of the retirement income system. As it stands, the wording of the objective of superannuation appears to be trying to address some (government support) but not all (e.g. other savings) of the other elements of the retirement income system.
2. Consideration should be given to acknowledging (1) whole-of-life outcomes and (2) management of financial risks in retirement, either as primary or subsidiary objectives (discussed in next point).
3. Consideration be given to utilising subsidiary objectives to complement a primary objective. This can help facilitate a concise core objective while providing clarity on issues identified as non-core.
4. Design a robustness test whereby Treasury stress test their proposed objective of super through a range of scenarios to assess whether the proposed objective deals with those scenarios appropriately.
5. Through a narrow prism, the sole purpose test in section 62 of the *Superannuation Industry (Supervision) Industry Act 1993* (Cth) (SIS Act) might currently be the only legislated purpose of super. This creates potential for tension between an articulated objective contained in separate legislation and purpose of super as expressed through the sole purpose test. We suggest at least establishing a clear link or reconciliation between the two. It might also make sense for the legislated objective to be in the SIS Act itself. We acknowledge that the Explanatory Memorandum states that “*It is not intended to create any rights or obligations for participants in the superannuation industry (for example, it is not to be considered in assessing the conduct or liability of a trustee of a superannuation fund)*”. However, we wonder if this is sufficient to remove all ambiguity.