
Australian Council of Public Sector Retiree Organisations Inc.

ABN 74 202 015 642

Peak Council representing Commonwealth, including military, State, Territory and other public sector retirees.

12 Muresk Street, Farrer ACT 2607



5 April 2016

Submission to The Treasury On the Objective of Superannuation

ACPSRO is the peak council for organisations representing retired civilian and military public sector workers and their spouses from the Commonwealth, State and Territory governments, the overwhelming majority of whom reside outside of “Canberra”. Our member organisations have long and extensive experience with defined benefit superannuation that is dedicated to providing not more than an income in retirement. That income reduces markedly the need for most of our present public sector retirees to call on the Age Pension.

What is conveniently overlooked by many is that a taxation concession is as costly to revenue as a taxation payment. From time to time we see arguments to the contrary. Many of these arguments attempt to make much of the fact that the cost of taxation concessions, under our existing accounting practices, can only be an estimate whereas taxation payments are scrupulously accounted. That is a measurement problem. It does not invalidate the fundamental point that a dollar of taxation not collected has exactly the same impact on the Budget outcome as a dollar handed out as a payment.

It is not anywhere stated in the Treasury Discussion Paper but it is abundantly clear that what is under consideration here is superannuation that enjoys a taxation break in one way or another. It matters not a jot what might be the purpose of a "superannuation" that functions completely outside the ambit of government incentives.

This leads us to our first and most substantial comment. ACPSRO cannot see any justification whatsoever for the use of public monies in whatever form to do more than encourage superannuation dedicated solely to providing a retirement income.

Certainly most members of the community would like to have a nest egg of some sort in retirement to guard against bad fortune. For many that nest egg is their home with perhaps some other investments. We quite agree but do not see any reason why the community generally should be asked to shoulder an increase in its tax burden to provide incentives for the accumulation of such nest eggs. To go down that path is to invite costly abuse.

A predefined part of a defined benefit pension paid to current public sector retirees may on the death of the retiree "revert" to a surviving spouse. The pension terminates on the death of the surviving spouse. This is the circumstance for many current public sector retirees and it works very well. The superannuation scheme is not burdened with any obligation to pay out "unused" funds should both members of a couple die at an early age. The other side of that coin is that it relieves retirees of any anxiety about longevity risk, an enormous benefit for most. We cannot see any justification for government incentives for superannuation to

provide for more than this.

Conclusion

For these reasons ACPSRO thoroughly supports the brilliantly succinct recommendation of the Financial System Inquiry that the primary objective of superannuation should be:

To provide income in retirement to substitute or supplement the Age Pension.

Our only quibble would be to point out that this could be interpreted to apply to individuals without regard for their spouses even when that spouse has contributed in a major way to the superannuation of the other partner. That would be unfair.

What is important about this recommendation is that it is about the provision of retirement income while the individual (or spouse) lives and not more.

Legislation

ACPSRO does not have a view on where or how this objective should be enshrined in legislation. The aim should be to have it installed in legislation where it will be protected as far as possible from any tinkering in the future.

Richard Griffiths
National President
Australian Council of Public Sector Retiree Organisations (ACPSRO)

Tel: 02 6248 9609
Mob: 0412 164 404
Fax: 02 6248 0709