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18 January 2019

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Via email to: economics.sen@aph.gov.au

Dear Committee Secretary

Social Services and Other Legislation Amendment (Supporting Retirement Incomes) Bill 2018

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this response to the Committee's inquiry into the *Social Services and Other Legislation Amendment (Supporting Retirement Incomes) Bill 2018* (the Bill).

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.7 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 15.6 million Australians with superannuation.

ASFA's focus is on the measures most directly related to superannuation, that is, the establishment of new means test rules to accommodate the development of new innovative income streams and the amendment of the current rules for lifetime income streams.

That said, ASFA is supportive of measures which provide greater flexibility in the availability of benefits for retirees. In that context ASFA supports the increase in the Work Bonus and its extension to income earned from remunerative work that involves personal exertion and also the expansion of the Pension Loans Scheme. These changes open up additional opportunities for retirees and have no adverse impact on those who do not choose to take them up.

In regard to the proposed new means test rules, ASFA makes the following points:

- The proposed rules were developed with the assistance of an extensive consultation process with a number of changes made in response to comments made by those consulted, including changes suggested by ASFA.

- The intention to remove taxation barriers and encourage a wider range of innovative retirement income stream products to be developed was first announced in the 2016-17 Budget. Given the lengthy time period since then it would be desirable to have in place all necessary supporting legislative changes as soon as possible
- The means test changes are the final legislative changes that are needed. Amendments to the *Superannuation Industry (Supervision) Regulations 1994* came into effect from 1 July 2017 which removed taxation barriers to the introduction of a wide range of income stream products, including deferred products, investment-linked pensions and annuities, and group self-annuitisation products
- Clarity of treatment of such products under the Age Pension means testing rules is required before new products can come to market. Current means testing rules are unclear in regard to their application to a range of innovative products with certain existing and potential new product types appearing to fall outside the scope of current means test rules
- Age Pension eligibility and the amount of Age Pension that is paid both initially and over time are critical inputs into retirement financial decision making
- While a variety of approaches are possible, ASFA considers that the new means testing rules have arrived at an appropriate trade-off between simplicity and neutrality in application to different types of retirement income products
- The changes are prospective and do not lead to any adverse outcomes for persons currently receiving payments from annuities and similar financial products
- A delay to the passage of the Bill during the next parliamentary sittings would be likely to result in a pushback of the start date for the new means test rules
- Communication of changes to potential customers, their advisers and other industry stakeholders requires considerable time and detailed planning – this work has already commenced in anticipation of 1 July 2019 commencement.

In this context ASFA recommends that the Committee support the passage of the legislation as soon as possible and without amendment.

If you have any queries or comments in relation to our submission, please contact Ross Clare, Director of Research, on (02) 8079 0809 or rclare@superannuation.asn.au.

Yours sincerely

Dr Martin Fahy

Chief Executive Officer