

## **Review of Australian superannuation**

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3 May 2009

A group of Government and representative bodies from the superannuation industry have recently announced a sweeping review of the structure, operation, efficiency and sustainability of the \$1.1 trillion Australian superannuation industry. After 20 years of compulsory superannuation without any regular systematic consideration, and given the negative returns in recent years and indications of its continuance, it is about time that such features are examined.

The wide-ranging inquiry will help to maintain community confidence in Australia's already strong superannuation system, according to Superannuation Minister Nick Sherry. It will also assist the government and the superannuation industry in meeting its responsibility to society at large of ensuring the efficient operation of the system.

### **The superannuation industry**

The Australian superannuation industry is based on the premise that it is fundamental to its integrity that Government and industry work together to ensure public confidence in the system. The Government also has an obligation to the community to ensure that superannuation funds work in the best interests of its members. This obligation has resulted in the superannuation Industry being heavily regulated.

## ***Communique of Principles***

To kick start the proposed review of the superannuation system, a *Communique of Principles* has been released. The *Communique of Principles* emphasises that strong retirement outcomes and maximised retirement savings are the main goal of our superannuation system.

The Communique is an agreement between the Government and superannuation industry bodies to conduct a general review of the industry as a whole. The Review is likely to look at fee and commission structures, the rules defining default super funds, and the definition of a “balanced fund” so consumers can easily compare funds and investment products. It will evaluate the system against certain criteria and make appropriate best practice recommendations to achieve outcomes, and formulate evidence-based policies (along with transitional arrangements and periods). The Review will complement the Henry Review of Taxation.

## **Opposition**

The Review has been criticised by the Opposition, who claim that it will destabilise confidence in the superannuation regime.

Spokesman Chris Pearce says the Review will simply add to the current plethora of reviews that merely bogs down the process and does not enable any decisions to be made. Given the number of submissions to the Henry Review and the extent to which those submissions were incorporated into the final report issued, there may be some basis for the Opposition’s attack of the proposed superannuation review.

## **Conclusion**

The complete terms of reference and details of the review will be released shortly. The *Communique* thus far confirms that “superannuation is undoubtedly a key pillar in providing a dignified standard of living for all Australians in retirement”. It is essential that “superannuation be fair, equitable, efficient, well governed with high levels of transparency and able to deliver to the broad needs of the community”. Importantly, ongoing regulatory reform, industry innovation and informed fund members are critical to ensure the system remains this way.