

Review of Australia's superannuation system

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Earlier this year, the Government announced a review of Australia's superannuation system. The review announced is designed to advance the interests of superannuation fund members by examining ways to improve the system in order to maximise retirement income. The first issue paper, forming part of the review, which focuses on the governance aspect of the superannuation system, was recently released on 25 August 2009.

Elements of review

On 29 May 2009, the Government announced that it would conduct a review of Australia's superannuation system. The review will examine relevant issues concerning Australia's superannuation system in terms of the following issues:

- governance
- efficiency and structure, and
- operation.

However, the Review will not consider the issues before the Henry Review into Australia's Future Tax System, including the following:

- the level of superannuation contributions;
- the application of tax concessions to superannuation funds; and
- other incentives.

In addition, the Review will not examine:

- the development of a superannuation clearing house; or

- the project addressing the consolidation of lost accounts;

The above reform proposals are excluded from the current review as they are the subject of other reviews already in the process.

3 phases

There will be 3 phases to the superannuation review each with its own issues paper to be released for submissions to be made by the public. Interested parties will have about 6-8 weeks to make a submission on each issue paper.

Although each issues paper will set out matters to be examined, there will be room for a wide range of submissions as issues have been phrased at a conceptual level and they are not exhaustive.

Preliminary recommendations will be released once submissions have been examined. A panel appointed to conduct the review will consult throughout the review period with stakeholders and the public.

The **first** phase of the review is the release of an issues paper concerning the governance of the superannuation system. The paper is entitled "The Scope of the Review - a three phased consultation". The closing date for submissions on this first phase is 16 October 2009.

The **second** phase concerns the operation and efficiency of the superannuation system.

The **third** phase concerns the structure of the superannuation system including SMSFs.

The final report is intended to be produced to the Government on 30 June 2010.

Detail of each phase

In more detail, the following table sets out the scope of each of the 3 phases:

Phases		Comments
1	Governance	Phase 1 will examine the legal and regulatory framework of the superannuation system, including issues of trustee knowledge, skills and training and assess the risks involved in the use of debt

		and leverage and the development of investment options that lead to a weakening of the diversification principle in the superannuation system.
2	Operation & Efficiency	Phase 2 will ensure the most efficient operation of the superannuation system for all members, whether active or passive members and whether making compulsory or voluntary contributions, including removing unnecessary complexities from the system and ensuring, in light of its compulsory nature, that it operates in the most cost effective manner and in the best interests of members; maximising returns to members, including through minimising costs, covering both passive defaulting members, who should receive maximum returns and value for money through soundly regulated default products, and actively selecting members, who should not be negatively impacted by conflicts of interest that may inhibit advice being in the best interests of members.
3	Structure	Phase 3 will examine the promotion of effective competition in the superannuation system leading to downward pressure on system costs, examining current add-on features of the superannuation system and examining other structural legacy features of the system.

Conclusion

Australia's superannuation review is designed to examine our system to ensure that it helps to maximise the retirement income of superannuation members. This is to ensure that Australia's superannuation system has strong governance yet is also efficient and effective in terms of generating retirement income.

Like many other reviews and debates before it, however, this review has ambitious goals. Goals that all too often are swayed by the representatives chairing such reviews. To be effective, the review should involve widespread representation from a broad cross section of the community. A failure to achieve such representation is bound to result in yet another flawed system, possibly worse than that which it replaces, which the public will have to put up with for many years to come.