

SUMMARY

‘Stronger Super’ — Government response to the Super System Review

Superannuation is a critical part of the Australian economy. It is the largest source of long-term savings in Australia and the second most significant source of wealth for many Australians after the family home. The ageing population means that superannuation will play an increasingly important role in ensuring Australians enjoy a financially secure future.

Despite the importance of superannuation to the Australian economy and to Australian families, there has been no comprehensive review into the operation of the superannuation system since the introduction of the superannuation guarantee some 20 years ago.

The Super System Review into the governance, efficiency, structure and operation of Australia’s superannuation system (the Review) examined measures to remove unnecessary costs and better safeguard the retirement savings of all Australians¹. The Review examined all sectors within the superannuation system, namely self managed superannuation funds (SMSFs) and funds regulated by the Australian Prudential Regulation Authority. Considerable consultation was undertaken as part of the Review, as demonstrated by the more than 450 formal submissions received.

The Review’s final report was presented to the Government on 30 June 2010. This document details the Government’s response, which supports, or supports in principle, 139 of the Review’s 177 recommendations.

In framing its response, the Government was particularly mindful of three issues identified in the Review:

- that fees in superannuation are too high;
- that choice of fund in superannuation has failed to deliver a ‘competitive market that reduces costs for members’²; and
- that there is too much tinkering in superannuation.

In providing a comprehensive response to the Review, the Government is providing certainty for superannuation fund members. Moreover, the Government is providing clear direction around key initiatives, such as MySuper, that will improve the scale efficiencies and competitive dynamics within superannuation.

1 The Review did not consider the level of contributions or the taxation of superannuation, as these were considered as part of the *Australia’s Future Tax System* review. On 2 May 2010, the Government announced historic reforms to lift contributions and make the taxation of superannuation fairer (<http://www.futuretax.gov.au/pages/default.aspx>).

2 Review into the governance, efficiency, structure and operation of Australia’s superannuation system — Final Report (Part One) p 8.

Impact of reforms

The economic significance of superannuation means changes in its operation will have macroeconomic effects. Every dollar Australians save from the removal of unnecessary fees and charges will directly boost their retirement savings, increase their wealth and boost national savings.

Fully implemented, the 'Stronger Super' program could lower fees by 40 per cent, potentially lifting the retirement savings of a 30 year old on average full-time wages by \$40,000 or 7 per cent. This is equivalent to a further 1 per cent increase in superannuation guarantee contributions. Economy wide, this is projected to add \$60 billion to national savings by 2035, reducing pressure on the Government budget and lessening Australia's reliance on foreign savings.

In addition, by ensuring the superannuation system is more efficient, these reforms will also improve the productivity of the Australian economy.

The Government's response to each of the Super System Review's recommendations is set out in the Attachment. The Government will also consider how to further promote a more member-driven approach within superannuation.

Timing and implementation of reforms

The Government will undertake further consultation with stakeholders on the implementation of its reforms.

In early 2011, the Government will establish an overarching consultative group, comprising representatives of peak industry, employer, employee and consumer groups, to provide input on the design and implementation of the reforms. Sub-groups will provide more technical input on each of the key components of the reforms — SuperStream, MySuper, SMSFs, and broader consumer, governance and regulatory issues. These sub-groups will report back to the consultative group, and the views and comments expressed will be considered by Treasury in formulating advice to Government.

Other interested stakeholders will be able to provide input to the design and implementation of the reforms via the Stronger Super website at strongersuper.treasury.gov.au.

Further information on timing and implementation is provided in the following sections of this document.