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24 February, 2009

AFTS Secretariat
The Treasury
Langton Crescent
PARKES, ACT, 2600

Dear Sir/ Madam

re: Review of the Retirement Income System

I wish to make the following comments for consideration by the Review Panel in relation to the retirement income system; particularly with regard to the questions 3.2 (appropriateness of current concessions) and 5.1 (Trustee Educational requirements).

Q3.2 Is the current level of superannuation income tax concessions appropriate and sustainable into the future? Are the current concessions properly targeted, and if not, how should they be reformed?

Response: I believe the existing system is providing real incentives for self reliance in retirement. However, I am concerned that superannuation is vulnerable to change, at the whim of the government of the day. This is a very real concern, and remains a disincentive to have all of one's retirement investment caught within this one area.

A recent example of an appropriate concessional "change" is the proposal to allow relaxation of the pension payment for the second half of the financial year 2008/9. However, as this has been foreshadowed already within the financial year and into the second half, without prior notice, it is outside the plans some retirees may have already put in place for their pension payment. The proposal apparently only addresses allowing the (future) non-payment of a pension. It does not address the situation where the pension may have already been paid during the half year. I am advised there is no facility, currently, where the retiree can elect to re-imburse the pension received, effectively (retrospectively) restoring the fund's liquidity, as intended.

I suggest that this is a well meaning and appropriate amendment, which some retirees may wish to exercise. However, as it applies during the relevant period, the target is inadequate and needs reform. It needs to provide balance, so the retiree has the capability to make their decision either retrospectively or for the future. There should be no discrimination against pension payments made during the period, before the announcement or implementation of the proposal.

This example is typical of why retirees become wary of how their superannuation can be manipulated inappropriately or unfairly.

Q5.1 In what way does the retirement income system impose undue complexity and cost on retirees and workers? How could this complexity be reduced?

Response: I understand the proposal is that all Self Managed Superannuation Fund (SMSF) Trustees should undertake a compulsory training course. This fails to recognise that some SMSFs employ a specialist manager to assist in compliance with the technicalities of administering their Fund. I question the

necessity for each and every individual Trustee to also undertake such training, when their manager already holds the required competency. (That manager's role should be advising the Trustees in the specific areas in which this "education and training" applies.)

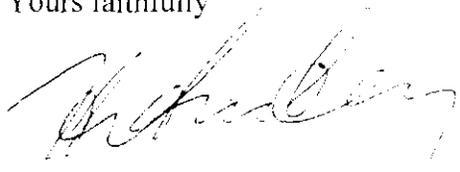
The time and cost of such training of each Trustee, and any maintenance of their competency, could be a significant burden for a SMSF which could then be a deterrent to the competition posed by the SMSFs to the larger funds.

The proposal also presumes that having received this training, each Trustee will remain competent in those skills, despite their infrequent use compared with the likely frequency of a specialist Manager who is administering a number of funds as a business.

I would have thought that the complexity and cost could be significantly reduced, for example, by an annual statement incorporated in the documentation to the Regulator signed by the Fund's competent person. (Why should it be any different from that of an auditor for financial reporting?) The competent person should be either the specialist Manager or else (in their absence) each of the (trained) Trustees. (This could put both the SMSF and the non-SMSF on an equal footing.)

I look forward to seeing how these aspects are addressed in the Consultation Paper.

Yours faithfully

A handwritten signature in black ink, appearing to read 'HLR Anstey', written in a cursive style.

HLR Anstey

cc: Minister for Superannuation and Corporate Law, Senator the Hon. Nick Sherry
Member for Swan, Western Australia, Mr Steve Irons, MP