

2 March 2009

Dr Ken Henry AC  
Chair, AFTS Panel  
c/o AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
By email: [AFTSubmissions@treasury.gov.au](mailto:AFTSubmissions@treasury.gov.au)

Dear Ken

**ACTU Submission to the AFTS Inquiry- Retirement Incomes**

The ACTU has seen the Joint ISN/AIST submission to your panel, responding to the Retirement Incomes Consultation paper; we were pleased to accept a position on the steering committee for that project, along with AiG.

We agree with and support the general tenor of the ISN/AIST submission:

1. Clear definitions of retirement income adequacy are required; a range is appropriate, with public policy targeting a 'modest but adequate' floor in which the age pension will be a critical pillar, and a 'comfortable/affluent' standard for ordinary workers that is capable of being delivered by the SGC plus private provision and a part pension. Above the 'comfortable/affluent' standard the case for public incentives / support for additional retirement income is not compelling
2. The prime concern at this time is adequacy for low and middle income earners, particularly those whose working lifetime commenced prior to the introduction of the SGC system and whose benefit in retirement does not reflect system maturity.
3. Concessions at the top end are excessive. They are expensive to the public purse, are distributionally regressive, and have most impact on income tax planning/minimization, on estate planning and perpetuation of intergenerational inequity.
4. Fees and commissions on retirement savings and income products should be banned. This would have a clear, substantial and positive impact on retirement income adequacy.

5. A progressive contributions tax regime is distributionally progressive with positive net revenue outcomes for government such that a 15% rebate for taxpayers with incomes below the tax-free threshold is eminently affordable.
6. The base rate of singles age pension should be increased and the current structures for means-testing for assets and deeming returns for certain classes of assets, and means-testing incomes, should be reviewed.
7. A maternity-linked Government contribution (a 'super baby bonus') should be considered; it has significant positive gender-equity impact.
8. The government should create a life-time annuity product with genuine longevity coverage, payable as a top-up on the age pension rate, accessible by investment of a lump-sum from retirement savings.

Beyond these points of agreement with the ISN/AIST submission, the ACTU believes:

9. The SGC rate should be increased to 12%, payable by employers. The increased could be phased in over a period of years under a known timetable, to avoid lumpy increases in costs
10. The \$450 exemption on compulsory super contributions should be abolished;
11. The SGC framework should be extended to cover self-employed workers and dependent contractors

The ACTU will be pleased to speak to this submission at the consultation meeting with the Panel scheduled for Friday 6 March in Melbourne

Yours sincerely

Jeff Lawrence  
Secretary  
ACTU