

3 April 2020

The Manager  
Retirement Income Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [superannuation@treasury.gov.au](mailto:superannuation@treasury.gov.au)

Dear Sir/ Madam

## Improving flexibility of superannuation for older Australians

CPA Australia represents the diverse interests of more than 166,000 members working in 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports this package, which implements the proposals from the 2019-20 Budget to provide greater flexibility to Australians in making voluntary superannuation contributions. We note that the Exposure Draft legislation contained in the package will remove the mismatch between the period where retirees can make 'bring forward' non-concessional contributions, and the age upon which they become eligible for the Age Pension. This is a sensible policy alignment.

We note that it also corrects a longstanding issue whereby a mixed message was sent out in relation to fund members who turned 66 but had ceased working the year before. In this case, the one-year exemption to the work test failed to allow fund members relying on it to make contributions after turning 66 to bring forward contributions at a time when they could most benefit from doing so. This policy oddity stood out despite the fact that bring forward contributions were otherwise available to Australians turning 66 who had satisfied the work test in that year.

The package also amends the *Superannuation Industry (Supervision) Regulations 1994* (SISR) and the *Retirement Savings Accounts Regulations 1997* (RSAR) to increase the work test commencement age to 67, as well as bringing the rules regarding spouse contributions into line with contributions made personally, by raising the age cut-off to 74.

CPA Australia welcomes these changes.

However, we ask whether the amendment in the exposure draft legislation to implement the increased age for the bring forward rule revives the issue whereby members who turn 68 in the financial year whilst relying on the work test exemption are unable to utilise the bring forward rule? The one-year work test exemption is, in our opinion a problem which can be sourced to an unnecessary relic of the times when Australians generally retired earlier and had shorter life-spans. Today, where there is no clear retirement age, Australians are retiring later as well as sooner.

We do not understand why the work test continues to be in effect, when the reasons for doing so are not clear.

Treasury recently consulted on proposals to align the age requirements for genuine redundancy to Age Pension qualification age in an exposure draft *Treasury Laws Amendment (2019 Measures No. 2) Bill 2019*. We noted in our submission to Treasury that:

*Simply put, there should not be differential treatment of genuine redundancy payments simply because of age. The Productivity Commission paper, *An Ageing Australia: Preparing for the Future*, identified the shift for Australians to work to a higher age, self-manage their retirement and reduce reliance on the aged pension, which the proposed provisions arguably undermine. Notions of the 'traditional working age' are outdated and Treasury's own *Intergenerational Report* shows that by 2024-25 almost 30 per cent of females and more than 40 per cent of males between 65-69, and around 10 per cent of males aged 70 and over will remain in the work force. This change is part of a global trend with the United States Department of Labor estimating that the 65 and older labour force will be the fastest growing in the US in the next five years.*

We believe that the same issues apply now as they did then to anyone aged 67 and still working. Whilst the one-year work test exemption is aimed to cater to Australians who have left the workforce, but are taking the time to get their retirement savings in order, resolution of that issue can be met by the same mechanism which presently provides a barrier to Australians working past Age Pension age who need to increase their retirement savings: that is, removal of the work test.

CPA Australia considers that this policy anomaly will continue to create confusion until it is resolved, and recommends that the work test requirement be removed, along with other age-based limits to contributions.

If you have any queries do not hesitate to contact Richard Webb, Policy Advisor Financial Planning & Superannuation at CPA Australia on [richard.webb@cpaaustralia.com.au](mailto:richard.webb@cpaaustralia.com.au) or 0425 726 889.

Yours sincerely



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**Reference:**

CPA Australia, 2019. *Exposure Draft Genuine Redundancy And Early Retirement Scheme Payments*. Submission to Treasury, 24 July 2019. [online] Melbourne: CPA Australia. Available at: <https://tinyurl.com/s4agueo> [Accessed 3 April 2020].