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HOUSE OF REPRESENTATIVES

BILLS

**Superannuation Legislation Amendment
(MySuper Core Provisions) Bill 2011**

Second Reading

SPEECH

Tuesday, 26 June 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Neumann, Shayne, MP

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Mr NEUMANN (Blair) (13:05): I speak in support of the Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011. With about \$1.36 trillion held in superannuation funds across the country and with about 8.1 million of the 11 million Australians in the workforce having significant superannuation, dealing with superannuation is absolutely critical to the financial prosperity and economic development of our country. It is about dignity and security and financial provision for people in their retirement years.

Jeremy Cooper, in his review commissioned by this government—and I pay tribute to former Senator Nick Sherry and Minister Chris Bowen, who, in a different guise, was the minister responsible for this area—said that by 2035 we would have, based on Treasury figures, \$3.2 trillion in superannuation investments in the country. Deloitte says it is about \$6 trillion. Whatever figure it is, it is an enormous amount of money, so dealing with this sort of superannuation is crucial.

One of the things that came out through the Cooper review, which issued many issues papers and interim reports during a period of about five months, was that Australians currently pay in fees around \$85 on average a month, which is significant. As Minister Shorten said in his second reading speech, it is in fact more than the average person's monthly mobile phone bill. Anything that can add more money into the pockets of Australians and less in fees to superannuation companies is a good thing for giving people more money when they decide to either transition to retirement or, indeed, retire fully. A dollar that they have is a dollar the superannuation companies do not have. It gives them more ability to go on that long, well-earned trip. to buy that new car, to make sure they can meet their grocery prices and household expenses for themselves, to take a night out and go to the movies or have that dinner together.

The Cooper review had a plethora of recommendations; 177 recommendations were made to the government, and the government in whole or in part accepted 139 of them. Those recommendations were wide ranging. One of the elements of the recommendations was the creation of a MySuper product which would be a new default superannuation product having few or no fees or charges and which was much cheaper than the default superannuation schemes that were operating. The government accepted those recommendations, but they required the Australian Prudential Regulation Authority to be satisfied that the MySuper product had the necessary features to make sure that it would be achieving what I will call the 'Cooper outcome' of making sure that people had a confidence in that system, that there was a diversified investment strategy, that the whole process of good returns to members was enhanced and that there were fewer fees and charges and a reduction in the kinds of expenses that were given to people. So the idea of some basic features in this MySuper product was a worthy goal and a Cooper recommendation. It was a more simplified and low-cost superannuation product that would enhance the financial security of people in their retirement. As I say, there had to be authorisation by APRA in terms of those particular superannuation funds.

The bill proposes specifically to offer the MySuper product from 1 July 2013 and make it compulsory for employers to make contributions to superannuation funds that offer that product from 1 October to meet the obligations that they have as employers in relation to the superannuation guarantee. I might add that this particular aspect of our reforms adds to the many reforms that we have undertaken in relation to superannuation which have seen and will see a benefit to my constituents in Blair in South-East Queensland—specifically, the increase of the superannuation guarantee from nine to 12 per cent, phasing in from 1 July 2013 to 1 July 2019, will in fact benefit 43,000 people in my electorate. The assistance that we have given in terms of low-income superannuation contributions is helping 3.6 million low- and middle-income Australians. They currently pay \$500 a year in tax on their superannuation and will pay nothing. It will benefit 23,600 workers in my electorate.

I was pleased that the minister listened to the entreaties of both me and a number of other people in relation to the superannuation guarantee. As I had experienced when I was talking to the Ipswich Association of Independent Retirees recently in Limestone Park, they raised with me these types of issues. One of the things I pointed out to them was the 51,000 workers 70 years in age and older who will benefit from what we have done to boost

superannuation retirement earnings for them by making sure that we are for the first time allowing them to also enjoy the benefit of superannuation guarantee. Their employers will make a compulsory contribution if they continue in paid work—and many do as they transition into retirement. So that, along with the clearinghouse that we are undertaking to support, is important as part of what we have called SuperStream superannuation reforms. I think that clearinghouse will also improve the capacity and ability not just to collect data but also for people to get access to information to make decisions about superannuation. That is designed to make sure superannuation payments are processed more expeditiously and will reduce administration costs as well. That is an important reform as well.

The legislation here before the chamber also deals with other aspects which I think are important. One aspect is for those few rogue employers who may fail to pay the MySuper product when that has been the choice of those consumers of the superannuation service—those employees in their employ. If those employers fail to meet their superannuation obligations on the MySuper product, they themselves will be found liable for the superannuation guarantee shortfall. The bill requires, of course, the employer to pay that money into that product.

The bill permits trustees to be authorised for one MySuper product per fund unless they qualify for one of two exceptions to be able to offer more than one product. First, the trustee will be able to tailor the MySuper product to large employers who have funds of in excess of 500 employees. Funds will be able to offer a variety of different MySuper products in those circumstances to preserve existing corporate brands as well. They are the exceptions. The trustees may wish to offer more than one product. They are required to be authorised by APRA in relation to the MySuper products offered.

These are important contributions to the whole superannuation reform agenda of this government. I have seen the benefit of those reforms in my electorate. When I speak to people at the many mobile offices, street stalls, country shows and community groups, including the one I recently referred to, there has been support for what the government is undertaking. I think it is done in a way that stakeholders in the industry have been consulted through the review process, people have been given choice, expenses associated with administration have been reduced and there is a focus on making sure that people have more money in their super schemes for retirement.

In the circumstances this particular legislation is the fulfilment of yet another federal Labor government commitment that we undertook at the last election. When I did some investigation in relation to this matter I noted that the coalition's view in relation to the MySuper product was one of wait and see. They made no commitment in relation to the Cooper review before the last federal election. I will be pleased to see their commitment to supporting this particular legislation. It is sensible reform in the circumstances and it will enable people to live with greater certainty and dignity in their retirement. I commend the legislation to the House.