



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Superannuation Legislation
Amendment (Further MySuper and
Transparency Measures) Bill 2012**

Second Reading

SPEECH

Monday, 26 November 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Hayes, Chris, MP

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Mr HAYES (Fowler) (16:07): I rise to support the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012. Mr Deputy Speaker, as you have already been advised, this is one of three pieces of legislation that will be implemented by the government under its MySuper reforms as part of the Stronger Super program. The Stronger Super reform intends to make the process of everyday transactions in the superannuation system easier, cheaper and fairer, to improve the governance and integrity of our superannuation system and to increase community confidence in the self-managed superannuation funds within that sector.

This will be done through the MySuper default product, which all Australians will be able to rely upon. We have already introduced and passed two pieces of legislation necessary for the successful introduction of the MySuper product, the first being the Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011 and the second being the Superannuation Legislation Amendment (Trustees Obligations and Prudential Standards) Bill, which was introduced earlier this year.

This bill is the last remaining aspect in respect of superannuation. It will give Australians access to the MySuper product from 1 July next year. MySuper is a simple, low-cost superannuation product designed to promote lower fees and more efficient superannuation funds with a particular focus on the benefits accruing to members. Mr Deputy Speaker, as you would appreciate, MySuper ensures that Australians have a fair system of accumulating superannuation. The standard will be required by regulation and also the types of fees that may be charged. In fact there will be only six types of fees that will exist under the product, compared with the veritable plethora of fees and scales that apply in the superannuation market at the moment.

This is part of a large-scale change to the superannuation system as we know it operating in this country. This government has made many positive reforms in the area of superannuation, including those enabled by the introduction of the mineral resource rent tax, which will provide for the superannuation guarantee to be lifted from nine to 12 per cent. This increase will be transitioned over the next decade, increasing the national pool of superannuation savings from \$1.3 trillion at the moment for 8.5 million Australian workers by another \$550 billion over the next 20-odd years. That is a significant net increase in the pool of national savings and it is only right in those circumstances that we ensure that that pool is properly regulated and that employees whose money is being contributed to their retirement savings are protected. That is why MySuper is so critical at this point in time. With this pool of savings, we will continue to enjoy being able to invest in capital-intensive and social infrastructure into the future. This increased pool of savings will then go on to benefit all Australians.

Importantly, this superannuation savings pool works to address the issues of Australia's ageing population, assisting those who seek better opportunities in their retirement. After all, that was the very genesis of superannuation itself. I know it has had a rather tortuous history, and I might come to that a little bit later on, but superannuation is an ideal that has been sponsored for most Australian workers by a succession of Labor governments.

Mr Deputy Speaker Georganas, I will not comment on your age, but I put you in the category of baby boomers such as me. We are taking steps to live longer than our forebears may have done. The truth of the matter is that by the year 2050, according to the Australian Bureau of Statistics, 25 per cent of Australians will be at retirement age. Therefore it is important that we have a pool of savings that provides for retirement. Otherwise, provisioning for the aged will simply fall to the remaining 75 per cent of taxpayers. So it is paramount for our nation's future and for our long-term sustainability to plan ahead, to ensure that we are prepared for those days. We must make appropriate plans for an ageing population and take appropriate steps to ensure that people are able to plan for sustenance in their retirement years. People work hard all their lives. They deserve to have the peace of mind of knowing that they will be able to retire with respect, dignity and comfort.

Low-income earners—and there are many in my electorate—will also significantly benefit from these provisions. In Fowler, some low-income earners fall even below the tax-free threshold, which has now been increased to

\$18,000. Those people, who are often working in a part-time capacity, will significantly benefit from this. For people who choose superannuation as their preferred saving model, this will ensure that their superannuation contributions are tax free. They will be exempt from the 15 per cent entry fee for superannuation contributions, which ensures fairness for them. This is a much fairer system of taxation on their superannuation. It will also act as an incentive for people on low to middle incomes to use superannuation as their preferred saving model.

I have said that the topic of superannuation is probably foreign to those on the other side, because after all it has been successive Labor governments that have championed it, going back for some time. Labor sponsored superannuation in 1986, when it was a Labor government that took the first steps to allow for award based superannuation. You would recall that, Mr Deputy Speaker. People were able to negotiate with their employers, but this freed up those who were covered by awards so they could go and get provisions and orders out of the Industrial Relations Commission to ratify contributions being made into superannuation. At that stage, it was three per cent. Back then it was effectively only the trade union movement, which was ostensibly covering award based employees, that was in a position to go out and get benefits for those employees in that respect. It did it by offsetting projected pay rises against superannuation. In those days, going back to 1986, various trade unions decided to forgo wage increases with a view to getting compulsory superannuation of three per cent established into their awards.

What followed was that the processes of the Accord established a pattern of superannuation guaranteed for all Australian workers. The significance of that was that it did not matter whether you were in a trade union or not, whether you were a white-collar worker or not; you were going to get the benefits of superannuation. For many, that was probably the first time they had seen anything about a retirement fund being set up in their name. Apart from establishing a system that would allow every Australian worker to benefit from superannuation in their retirement, it also left a platform and a positive legacy for this country in developing a systematic savings pool for all Australians. Following the implementation of that, from 1988 onwards, we now have—I am not sure how many noughts we put on this—\$1.3 trillion that has been saved in the names of Australian workers.

The superannuation system in this country has come a long way. When the Australian Bureau of Statistics conducted its first survey into superannuation, back in 1974, only 32 per cent of the Australian workforce was covered by superannuation, and that was mainly made up of white-collar employees, managerial staff and state and Commonwealth public servants. Prior to 1974, very few employees had the benefit of superannuation. Since 1988, superannuation has applied to all Australian workers. It started off with the revolutionary three per cent, which was traded off against wage rises, and it is now at nine per cent. With the passage of this legislation, and with the effect of the minerals resource rent tax coming into play, the platform is now set for increasing superannuation from nine per cent to 12 per cent, which will more adequately provide for retirement incomes for Australians into the future.

We are now at another significant point in the superannuation revolution in this country. We are at a point of securing proper managerial control of superannuation funds, with appropriate transparency vested in those funds and the trustees required to ensure that the rights and privileges of the members of those funds are fully observed and that those trustees are held accountable. It is clear that we want to make sure not only that those funds are well managed but that the members are being appropriately served in this modern and dynamic environment. Through this bill, the government intends to minimise the unnecessary and unfair fees and charges that often make significant deductions to the savings pool of employees. The bill primarily deals with APRA's data collection powers and disclosure requirements, achieving some of the key objectives of Stronger Super. It also ensures that superannuation fund trustees transfer all accrued default amounts of members to MySuper products by 1 July 2017, with an opt-out option. The bill also provides the industry with the information it requires to lodge an application to offer a superannuation product from the beginning of next year.

These are significant developments. This is the third tranche of the Stronger Super provisions to ensure that Australian workers from all industries, from all occupations, have the benefit of security when it comes to their superannuation. The bill establishes rules in relation to fees for all superannuation funds—for instance, there will be a ban on entry and limited exit fees and switching fees and also other fee rules and rule structures. Setting up clear guidelines in relation to fees for all superannuation funds will ensure that members of MySuper products will not pay unnecessary fees and that their ability to make and achieve a choice is not hindered or encumbered by a nuisance fee structure.

It is also important to note that the bill sets guidelines in relation to MySuper products, particularly in respect of life and TPD—total and permanent disability—insurance, again giving safety to those members who find themselves in— (*Time expired*)

Debate adjourned.