

Treasury Laws Amendment (Your Super, Your Choice) Bill 2019

**Submission by TWUSUPER to the Senate
Economics Committee**

17 January 2020

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1. Executive Summary.

Choice of fund may sound good in theory.

In practice it leaves many people subject to opportunistic, predatory behaviour. The superannuation system must be built for the majority and constructed around real world behaviour.

TWUSUPER supports efforts to improve transparency and accountability of funds in pursuit of improved outcomes for fund members.

Unfortunately, the changes contained in the Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019 would not improve retirement outcomes or transparency but would instead actually cause detriment to many ordinary Australians, including members of TWUSUPER, who have chosen the deemed collective choice provisions of the *Superannuation Guarantee (Administration) Act* 1992 (alongside the *Fair Work Act* 2009) to achieve a better overall outcome.

The choice of workers to seek a collective mechanism is indeed an effective and important exercise of choice, which arguably delivers superior outcomes to other models. Eliminating deemed collective choice as this bill intends would actually diminish choice overall, and leave many workers access to inferior and less informed models of choice.

For those people currently covered by collective choice agreements the bill actually increases their vulnerability to being sold inferior outcomes amid incentive driven sales practices. The bill also does nothing to improve the situation for people not able to access superannuation at all, and consideration of the bill would be best deferred until after the Retirement Incomes Review has concluded.

Transport is characterised by long working hours, generally low financial literacy, sectors with underpayment of superannuation contributions, and low levels of retirement savings. Superannuation's placement in the default workplace relation system and our members' access to existing deemed collective choice provisions actually helps drive higher superannuation contributions to deliver a healthier, more dignified retirement.

TWUSUPER is the industry superannuation fund for workers in Australia's transport and logistics industry, with more than 110,000 members and in excess of \$6 billion in funds under management.

TWUSUPER was created for and by the transport industry and is completely aligned with the interests of transport workers.

As a high performing fund TWUSUPER provides strong investment returns for its demographic profile, robust and tailored insurance for work in a risky industry, and accessible financial information and education.

Over the ten years to the end of June 2019 TWUSUPER's net investment performance of 8.49 % per annum Balanced (MySuper) exceeds our stated investment objective by 3.42% per annum¹. In 12 months to 31 December 2019 TWUSUPER's net return to members for our Balanced (MySuper) Option was 13.28%, with our Equity Plus Option returning members 18.01% over the same period.²

Through positive alignment the TWU, employers and transport and logistics workers have negotiated higher employer contributions above the Superannuation Guarantee (SG) of 9.5% (in some cases up to 14.75%) which boosts the retirement savings for thousands of transport workers by millions of dollars every year.

¹ www.twusuper.com.au/investments/investment-returns

² www.twusuper.com.au/investments/investment-returns

TWUSUPER's membership footprint in the transport industry is broad and includes members that have joined via different paths, including but not limited to their own individual choice, enterprise agreement non-binding default provisions, employer chosen default provisions, and under enterprise agreements with deemed collective choice arrangements that are the subject of this bill.

People who have joined TWUSUPER via standard default and deemed collective choice provisions have engaged in bargaining with their employers via their representatives and reached a lawful outcome that selects TWUSUPER as the collective choice due largely to its industry tailored offering.

2. Introduction.

The ability of transport (and logistics) workers to exercise collective choice through default and deemed choice provisions in collective enterprise agreements is a key way for those workers to collectively ensure the superannuation options are tailored to their collective needs.

In doing so, these workers have made a choice to be collectively vigilant in having their interests looked after, and ensuring that some colleagues are not left substantially worse off in retirement by choosing a low performing fund that isn't geared to suit their occupations within transport. Enterprise agreement making processes can act as a bulwark against misconduct.

As the industry superannuation fund for transport and logistics workers, which has close industry involvement through its representative governance model, TWUSUPER has an acute understanding of the superannuation needs of those workers as well as the industry sector and subsectors they're employed in.

A key employment category heavily represented among employees whose designated fund under enterprise agreements is TWUSUPER are truck drivers, who are 13 times more likely to die at work than ordinary Australians³.

Due to the nature of the role, many workers within the industry suffer from musculoskeletal and coronary conditions as a result of the physical nature of their roles and from long hours of sitting in the same position. These health issues tend to manifest later in life and will mean that many may have to retire before they are eligible for benefits such as the aged pension.

Having access to well-tailored and affordable insurance which can be increased or decreased within superannuation to suit individual needs (with an understanding that claims are covered) is vital as too is the need to have adequate amounts of superannuation to fill the potential gap between finishing up work years before the aged pension can be claimed.

These are difficult and complex issues that are well understood by TWUSUPER, the TWU and those businesses that grapple with an aging and valued workforce.

TWUSUPER is making a submission because the proposed bill would have the result of leaving many of those members materially worse off in retirement with the possibility and likelihood many could be sold into lower performing funds including retail funds. Moreover, potential loss of insurance arrangements will put many more people at risk through inferior or non-coverage of death and TPD insurance which is a significant issue in a risky industry.

³ Xia, T., Iles, R., Newnam, S., Lubman, D., & Collie, A. Driving Health Report No 2: Work-related injury and disease in Australian truck drivers. Insurance Work and Health Group, Faculty of Medicine Nursing and Health Sciences, Monash University (2018) 5.

3. Deemed Collective Choice is a valid workplace relations choice.

Transport workers have a long history in Australia of achieving improved retirement outcomes via mechanisms contained in industrial instruments, initially through the Award system and then later through collective agreements following the introduction of widespread enterprise level bargaining in the early 1990s.

Superannuation is effectively deferred wages and TWUSUPER's establishment in 1984 helped provide ordinary everyday transport workers with access to superannuation and a better future in retirement well ahead of the introduction of the Superannuation Guarantee (Administration) Act 1992.

TWUSUPER was created for and by the transport industry, which is characterised by long working hours, low financial literacy, underpayment of superannuation and low retirement savings. Many transport workers work beyond what is safe due to insufficient retirement savings.

Superannuation and the inclusion of TWUSUPER have properly continued to be determined at both an enterprise and industry level within transport and logistics. Enterprise bargaining agreements extend beyond simply selecting a fund and may embrace higher employer contributions to superannuation, additional tailored insurance, workplace education, and other benefits designed to improve superannuation outcomes for employees.

TWUSUPER is completely aligned with the interests of transport workers and its inclusion in enterprise agreements via default and deemed collective choice provisions drives higher contributions and a healthier, more dignified retirement for more people than would otherwise be the case.

Through this positive alignment, the TWU, employers and transport workers have negotiated higher superannuation contributions which are boosting retirement savings by tens of millions of dollars every year.

Findings from the 2018 FSRC⁴, the Productivity Commission's report Superannuation: Assessing Efficiency and Competitiveness into superannuation⁵, and modelling by Rice Warner⁶ have all highlighted the importance of informed choice amid the potential situations (and concrete examples) whereby consumers are "sold" into underperforming funds.

When workers are represented collectively, default and deemed collective choice provisions in enterprise agreements provide a safety net for people who aren't engaged with their retirement savings or lack a good understanding of the retirement incomes system, or with poor financial literacy more generally. By workers collectively choosing a high performing fund like TWUSUPER the outcomes are better than if individuals made poor decisions.

The choice of working people to seek a collective mechanism is an effective and important one, which arguably delivers superior outcomes to other models. To eliminate this form of choice does not increase options, only diminishes informed choice and would leave many workers only access uninformed choice models.

A significant and growing challenge to satisfactory retirement outcomes in transport is the many thousands of transport workers currently outside the workplace relations and bargaining system who are facing poor retirement futures due to wage suppression, active avoidance of traditional employment instruments, and the nature of contracting and sub-contracting.

⁴ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Final Report, 2019

⁵ Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness (Final Report)*, December 2018

⁶ *Member Switching*: Rice Warner, September 2017

4. Transport workers are demonstrably better off with deemed collective choice.

TWUSUPER's membership footprint in the transport industry is broad and includes members that have joined via different paths, including but not limited to their own individual choice, enterprise agreement non-binding default provisions, employer chosen default provisions, and under enterprise agreements with deemed collective choice arrangements that are the subject of this bill.

People who have joined TWUSUPER via standard default and deemed collective choice provisions have engaged in bargaining with their employers via their representatives and voting mechanisms, and reached a lawful outcome that selects TWUSUPER as the collective choice due largely to its industry tailored offering.

TWUSUPER is the named fund via deemed collective choice provisions in some enterprise agreements such as those at large national transport companies. The people covered by those enterprise agreements are demonstrably better off than if they were covered by regular default arrangements.

For workers coming to TWUSUPER via deemed collective choice arrangements, access to deemed collective choice helps protect them from the dangers outlined in the 2017 Rice Warner Report on "switching"⁷ and are part of a package of improved workplace and superannuation benefits which includes above SG employer contributions of up to 14.75%.

These negotiated collective outcomes are not just about the choice of fund but must be considered as part of a package, such as above-SG contributions (up to 14.75%) agreed with employers such as Toll Group and voted on by workers after a lengthy, transparent, and deliberative process alongside workplace education about retirement or insurance arrangements.

Responsible employers in the physically demanding transport and logistics industry understand that superannuation is important, as enabling employees to retire at a point of their choosing is far better than them working beyond a point where safety risks become an issue.

It should also be noted that the SG only applies to Ordinary Time Earnings (OTE), but in transport as in many other sectors of the economy workers are reliant on additional income beyond OTE such as overtime, allowances, and loadings that may not attract the SG; and so the above-SG amounts paid under these agreements are crucial in ensuring proper preparation is made for retirement.

As well as offering specific products and services that supports transport workers, tailored to transport and logistics TWUSUPER's long-term outperformance goes to demonstrate that workers covered by the deemed collective choice of TWUSUPER are better off than if choice of default were left to employers only, or in situations where an enterprise agreement specifies only default funds and not collective choice of a fund or funds.

Over the ten years to the end of June 2019 TWUSUPER's net investment performance of 8.49 % per annum (Balanced MySuper) for ten years to 30 June 2019 exceeds our stated investment objective by 3.42% per annum⁸. In 12 months to 31 December 2019 TWUSUPER's net return to members for our Balanced (MySuper) Option was 13.28%, with our Equity Plus Option returning members 18.01% over the same period.⁹

⁷ *Member Switching*: Rice Warner, September 2017

⁸ <https://www.twusuper.com.au/investments/investment-returns>

⁹ <https://www.twusuper.com.au/investments/investment-returns>

5. About TWUSUPER.

TWUSUPER is a profit-to-member Industry Super Fund with more than 110,000 members and in excess of \$6 billion in funds under management, dedicated to delivering a better future in retirement for the people who keep Australia moving.

TWUSUPER was created for and by the transport industry characterised by long working hours, low financial literacy, underpayment of superannuation and low retirement savings. Many transport workers work beyond what is safe due to insufficient retirement savings.

TWUSUPER is completely aligned with the interests of transport workers and its inclusion by employers, and employees and their representatives in enterprise agreements helps drive higher contributions and a healthier, more dignified retirement for those workers. Through this positive alignment, the TWU, employers and transport workers have negotiated higher superannuation contributions which boost retirement savings by millions of dollars every year.

TWUSUPER was established well before the introduction in 1992-1993 of universal, compulsory superannuation as workplace right for nearly all Australians.

The Fund was born in 1984 through the goodwill of people from the Transport Workers Union (TWU) working with leading transport employer association Australian Road Transport Industrial Organisation (ARTIO) supported by businesses such as Linfox, TNT, Brambles, Mayne Nickless and others that came together to help ensure better outcomes in retirement for transport workers and their families.

Since then TWUSUPER has a long term track record of returning strong returns for members, with services to members and employers tailored to the unique conditions of the transport industry.

TWUSUPER is focused on strong, long term returns over the long term with net investment performance of 8.49% per annum for ten years to 30 June 2019 exceeding our investment objective by 3.42% per annum¹⁰. In the 12 months to 31 December 2019 TWUSUPER's net return to members for our Balanced (MySuper) Option was 13.28%, with our Equity Plus Option returning members 18.01% over the same period.¹¹

TWUSUPER's High Governance Standards

TWUSUPER's board of directors follows the equal representation model, with balanced representation from employer and employee representatives chaired independently by Mr David Galbally AM QC. TWU Nominees Pty Ltd (ABN 67 002 835 412) is the trustee company that runs TWUSUPER.

In going about its work and run only to profit members, the Trustee Board has an overriding obligation to always act in the interests of the Fund's members and beneficiaries.

The Board includes an Independent Chairman, four Member Representative Directors and four Employer Representative Directors. There is also provision for up to six Alternate Directors comprising up to three Member Representative Alternate Directors, and up to three Employer Representative Alternate Directors.

¹⁰ <https://www.twusuper.com.au/investments/investment-returns>

¹¹ <https://www.twusuper.com.au/investments/investment-returns>

The Board is supported by several committees as well as external service providers, and Trustee staff who manage the Fund's day-to-day operations. Board committees include Investment; Audit, Risk & Compliance; Communications & Marketing; Complaints & Appeals; Operations & Remuneration.

TWUSUPER Members & Employers

TWUSUPER represents more than 110,000 members employed across hundreds of major Australian employers and workplaces in sectors. As an industry fund we partner with employer and employee representatives to help ensure better retirement outcomes for members working in the broad transport industry including the following areas:

- Road and general freight
- Removalists
- Refrigerated warehousing
- Aviation and airlines
- Bus and public transport
- Couriers and delivery drivers
- On-demand sector (rideshare and food delivery)
- Construction, Oil, and Gas
- Ports
- Cash in transit
- Waste and recycling

Key employers with whom TWUSUPER partners and where we have members of our Fund include Toll Group, Linfox, Startrack Express, TNT, Qube, ACFS, Camerons, Virgin Australia Group, Dnata Catering, Dnata Ground Handling, Dysons, Busways, Veolia, Remondis, Suez, Cleanaway, Transit Systems, and Comfort Delgro.

As of 2020 our members come from across the transport and logistics industry and include a diverse range of transport and transport-related occupations. Many of these occupations carry higher than average risks for workers, in demanding and challenging environments that are often unique to transport.

Key occupations that are members of TWUSUPER include but are not limited to:

- Truck drivers
- Owner drivers
- Warehouse and stores workers
- Airline catering workers
- Airline ramp workers and baggage handlers
- Flight attendants
- Bus drivers
- Armed cash in transit guards
- Rubbish and waste collectors
- Couriers
- Rideshare drivers and food delivery riders
- Logistics and management

6. TWUSUPER is tailored to transport & logistics workers & their industry.

Transport is key to Australia's economy and so are the people employed in it.

According to the Australian Bureau of Statistics in 2015-16 total transport activities in Australia contributed \$122b (8.6% of GDP). The sector employs more than one million people, which equates to approximately 8.6% of total persons employed¹² across Australia and all sectors of the economy.

The ability of transport workers to exercise collective choice through default and deemed choice provisions in collective enterprise agreements is a key avenue for those workers to ensure superannuation and associated product options that are tailored to their collective needs, and maintain vigilance that their interests are protected against practices and fund offerings that testimony before the FSRC demonstrated might otherwise leave them worse off in the short and long-term.

TWUSUPER is the industry superannuation fund specifically tailored to the needs, demographics, and occupations of workers across Australia's transport and logistics industry which is why the Fund has been selected as default fund by transport employers, workers, and their representatives across hundreds of collective enterprise agreements.

Transport work is a dangerous occupation

Working in transport is one of the most dangerous jobs an Australian can have.

Through close alignment with industry TWUSUPER understands first hand that transport is a dangerous industry for the people working in it, and how the associated risks can impact their future retirement outcomes and so the Fund has tailored our member products and services accordingly.

28% of all people killed at work in Australia were performing work in the transport, postal, and warehousing industries¹³. According to Safe Work Australia 92% of transport fatalities in 2014-2015 involved road freight¹⁴, with heavy vehicle road crashes contributing to more than 564 people killed in those crashes between April 2016 and June 2019¹⁵.

Truck drivers are 13 times more likely to die at work than ordinary Australian workers¹⁶.

¹² Australian Bureau of Statistics *Australian Transport Economic Account: An Experimental Transport Satellite Account 2010-11 to 2015-2016* (31 October 2018).

¹³ Safe Work Australia (2017) *Work Related Traumatic Injury Fatalities*, Australia 2017, 21 December 2018.

¹⁴ Safe Work Australia, retrieved 16/1/2020 www.safeworkaustralia.gov.au/doc/infographic-fatalities-and-injuries-road-transport-industry

¹⁵ See Fatal Heavy Vehicle Crashes Australia – Quarterly Bulletins, Department of Infrastructure, Regional Development, & Cities; June 2016-June 2019.

¹⁶ Xia, T., Iles, R., Newnam, S., Lubman, D., & Collie, A. *Driving Health Report No 2: Work-related injury and disease in Australian truck drivers*. Insurance Work and Health Group, Faculty of Medicine Nursing and Health Sciences, Monash University (2018) 5.

Partnering on workplace education, distribution, and support

Issues of multiple accounts and the impacts on retirement balances through fee erosion are by now well known. The FSRC¹⁷, and Productivity Commission report¹⁸, and 2017 research by Rice Warner¹⁹ have documented issues around people obtaining clear and readily understood information about superannuation in order to make informed choices.

TWUSUPER actively engages our members to eliminate the impact of multiple accounts. Across all workplaces, not just those with deemed collective choice, TWUSUPER conducts an engagement program including retirement seminars, workplace interactions, induction presentations and aimed at ensuring higher levels of member education and understanding. Very often included in these activities is a central message about the need for account consolidation, negative impacts of multiple accounts, and the long term costs to the member of not consolidating.

As a fund founded in and through the transport industry TWUSUPER has tailored its member education programs to the unique challenges and dispersed workplace locations of operators to ensure our members can access simple, clear and effective education about their superannuation and future options.

Mental Health

In addition to physical harm, transport workers, and particularly drivers who often work in solitary roles are also prone to mental health issues. It has been TWUSUPER's experience that mental health issues caused or compounded by issues such as family breakdown, drug problems, gambling, and other issues are often dealt with at work and without appropriate supports. Due to the often 'blokey' nature of the transport and logistics industry people tend not to seek help as they should.

This can have an impact on TWUSUPER members' ability to reach retirement age. While TWUSUPER is not a health service provider the fund can often be a source of information and referrals to providers of training, support, and counselling services such as through our partnership with SuperFriend.

SuperFriend advocates for, equips and empowers profit-to-member superannuation funds and insurers to achieve mentally healthy workplaces for their staff and members to enable them to enjoy long, positive and mentally healthy retirement.

By assisting members and employers access support TWUSUPER supports our members in staying in work and reaching their financial and retirement goals.

Tailored Investment Options

At TWUSUPER we understand the needs and priorities of our members within the transport industry and we keep our investment product options simple and transparent.

¹⁷ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Final Report, 2019.

¹⁸ Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness (Final Report)*, December 2018

¹⁹ *Member Switching*: Rice Warner, September 2017

Members of TWUSUPER in the accumulation phase of their working lives are able to invest in one of or a mix of three investment options:

- *Balanced (MySuper)*
- *Equity Plus*
- *Cash*

Members of TWUSUPER who don't make an active investment choice when they join our fund are automatically invested in Balanced (MySuper).

TWUSUPER also offers Transition to Retirement (TTR) options and Pension options for our members in the retirement phase.

Under APRA's prudential standard SPS 530 - Investment Governance, TWUSUPER is required to regularly review the investment strategy of the Fund and to undertake appropriate stress testing of the strategy. This includes reviewing the Fund's investment strategy and Strategic Asset Allocation (SAA) benchmarks of each of TWUSUPER's Member Investment Choice (MIC) Options, taking into account the Fund's circumstances and current views of financial markets and the Australian and global economies.

The "Fund's circumstances" include the demographic profile. Consideration is given to a number of factors, including the membership age profile, the gender split and the distribution by account balance size.

7. TWUSUPER offers insurance tailored to transport & logistics workers.

Adequate insurance cover is important for family security and peace of mind for many Australians, with a large proportion of Australian's gaining life, TPD, and income protection cover through their superannuation at a cheaper rate due to the scale benefits that group insurance arrangements can provide.

As the industry superannuation fund for people working in transport, logistics, and allied industries TWUSUPER is acutely aware of the particular requirements of workers in the sector, and the risk profiles their roles and occupations carry.

Due to the nature of the role many workers within transport and logistics also suffer from musculoskeletal and coronary conditions as a result of the physical nature of their roles and from long hours of sitting in the same position. These health issues tend to manifest later in life and will mean that many people have to retire before they are eligible for benefits such as the aged pension.

Having access to well-tailored and affordable insurance which can be increased or decreased within superannuation to suit individual needs with an understanding that claims are covered is vital, as is the need to have adequate amounts of superannuation to fill the potential gap between finishing up work years before the aged pension can be claimed.

A large proportion of TWUSUPER members covered by collective choice or deemed choice provisions in enterprise agreements are employed in truck driving and road transport. In the road transport sector alone a 2018 study by Monash University (based on compensation claims over a twelve year period) found that truck drivers are 13 times more likely to die at work than any other profession while the long hours, social isolation, time pressure and lack of job control also make it one of the unhealthiest jobs²⁰.

TWUSUPER provides insurance that other funds and retail insurers don't

Often the insurance transport workers are able to access via their accounts with TWUSUPER is the only insurance available to them, as many key transport industry occupations are what is termed by insurance companies "excluded occupations" which renders those workers uninsurable.

Many superannuation and general insurance options are also restrictive in the events and types of claims covered, such as suicide. Not surprising perhaps, but tragically, TWUSUPER has many suicide claims paid every year under our group insurance arrangements.

TWUSUPER, with the support of its Insurer understands that due to the risk profile of the industry, many of its members would not be able to obtain equivalent insurance cover outside TWUSUPER at an affordable cost. With this understanding, TWUSUPER does not have occupation exclusions or loadings. This means no member will have an application for additional insurance or a claim declined because of their occupation.

²⁰ Xia, T., Iles, R., Newnam, S., Lubman, D., & Collie, A. Driving Health Report No 2: Work-related injury and disease in Australian truck drivers. Insurance Work and Health Group, Faculty of Medicine Nursing and Health Sciences, Monash University (2018) 5.

Occupations commonly excluded by insurance offerings but which TWUSUPER does provide coverage for often include:

- Aircraft refuellers
- Armoured car drivers
- Bus & coach drivers (long distance)
- Cartage Contractors (long distance)
- Oil , Gas, & Petrol tanker drivers (long distance)
- Couriers
- Dairy workers
- Dangerous goods drivers
- Furniture removalists and drivers
- Taxi drivers
- Flight attendants
- Pilots

Dangerous Occupations and PMIF changes

In September 2019, the Government passed its second round of Superannuation and Insurance reforms - Putting Members' Interests First (PMIF). These changes come into effect on 1 April 2020, requiring funds to:

- Remove default cover for any member who has an account balance less than \$6,000 and has not 'opted in' to retain insurance cover;
- Not start default cover until a member is aged 25; and
- Not start cover until a member has at least \$6,000 in their account.

These changes also provide a dangerous occupation exemption²¹. Where the Trustee knows the member is in a dangerous occupation (as certified by a fellow of the Institute of Actuaries as being an occupation in the top quintile based on the last five years of death and disablement data), and the Trustee applies to adopt this exemptions cover members can continue to be covered on an opt out basis.

TWUSUPER has consulted with its Actuary to determine the feasibility and likelihood of the application of the exemption in relation to its membership. An analysis of the occupations of TWUSUPER members indicates that the vast majority (95%) are in manual occupations. Occupation data collected from the Fund's largest employers provides evidence that the majority of the manual occupations are likely to be in dangerous occupations and covered by the dangerous occupation exemption.

This means that the majority of members may continue to be covered by default insurance on an opt out basis and TWUSUPER will be unique in its ability to continue to provide the financial protection to its members and their families in the event of a death or serious illness or injury that prevents the member returning to work.

²¹ Superannuation Industry (Supervision) Act ("SIS Act") s68AAF.

8. TWUSUPER is a strongly performing superannuation fund.

TWUSUPER has a proud history of delivering consistently good investment performance over the long-term. Our Fund invests for the long-term with investment strategies and product offerings for our members tailored to their needs within the transport industry, led by a board representative model that always puts our members' interests first.

A strong performer over the long term TWUSUPER's net investment performance of 8.49% per annum for ten years to 30 June 2019 exceeds our investment objective by 3.4% per annum. In the 12 months to 31 December 2019 TWUSUPER's net return to members for our Balanced (MySuper) Option was 13.28%, with our Equity Plus Option returning members 18.01% over the same period.²²

TWUSUPER comfortably outperforms

Comparisons modelled by SuperRatings and commissioned by TWUSUPER shows average differences in the net benefit of TWUSUPER's Balanced (MySuper) investment option versus the main balanced options of retail funds.

For example based on a starting income of \$50,000 and a starting balance of \$60,000 TWUSUPER's Balanced (MySuper) investment option has delivered \$30,224 more over the 15 years to June 2018.²³

Simplified investment option tailored to transport workers' needs

Recent reports from the FSRC, Productivity Commission, and others have demonstrated that complexity and confusion about superannuation presents barriers to people better understanding the superannuation system and making informed choices about their future in retirement.

At TWUSUPER we understand the needs and priorities of our members within the transport industry, and we keep our investment product options simple and transparent. Members of TWUSUPER in the accumulation phase of their working lives are able to invest in one of or a mix of three investment options:

- *Balanced (MySuper)*
- *Equity Plus*
- *Cash*

Members of TWUSUPER who don't make an active investment choice when they join our fund are automatically invested in Balanced (MySuper). TWUSUPER also offers Transition to Retirement (TTR) options and Pension options for our members in the retirement phase.

TWUSUPER & APRA's 2019 Heatmap

TWUSUPER is supportive of efforts to improve transparency in the superannuation sector and welcomes APRA's decision in late 2019 to publish comparative measures of risk-adjusted performance, however we are concerned the heatmap as published by APRA misrepresents TWUSUPER's investment performance.

²² <https://www.twusuper.com.au/investments/investment-returns>

²³ Comparisons modelled by SuperRatings, commissioned by TWUSUPER and shows average differences in net benefit of TWUSUPER's balanced investment option and the main balanced options of retail funds tracked by SuperRatings, with a 3 (144 funds), 10 (73 funds) and 15 (45 funds) year performance history, taking into account historical earnings and fees – excluding contribution, entry, exit and additional adviser fees. Outcomes vary between individual funds. Modelling as at 30 June 2018 – full assumptions can be found at www.twusuper.com.au/super/industry-superfunds-deliver/compare-the-pair

APRA has noted in its Heatmap Information Paper that “long-term investment performance is a critical driver of outcomes for members. TWUSUPER takes its commitment to members extremely seriously.

TWUSUPER is a strong performer over the ten years to the end of June 2019. The Fund’s net investment performance of 8.49% per annum for ten years to 30 June 2019 exceeds our investment objective by 3.42% per annum.

APRA’s initial heatmaps classified TWUSUPER’s infrastructure and property assets as 100% listed when in fact they are almost entirely unlisted. TWUSUPER’s investments in unlisted infrastructure and property were classified as 100% growth when compared to some funds whose infrastructure and property assets were classified 75% growth and 25% defensive.

This and other classification errors have skewed TWUSUPER’s investment risk rating, giving it a growth rating of 78%, when in fact it should be 71% growth.

Without these misclassifications TWUSUPER would compare favourably in APRA’s heatmaps.

9. Conclusion & Recommendations.

Deemed, collective choice is a valid and effective provision in the Superannuation Guarantee (Administration) Act 1992 and works effectively with the Fair Work Act 2009 to maximise outcomes in retirement for workers.

It acts as a bulwark against unconscionable conduct by financial institutions and unscrupulous employers.

TWUSUPER respectfully calls on the committee and parliamentarians of all stripes to decline to support the bill as it will actually lead to poorer member outcomes, leaving ordinary workers worse off.

Workplace education and questions of informed choice are important issues for the superannuation sector and legislators to grapple with. The aim should be to ensure superannuation fund member outcomes are maximised, but this bill will actually lead to worse outcomes for many people.

Consideration of the kind of changes which are the subject of this bill must form part of a more comprehensive suite of changes aimed at improving outcomes in retirement for the vast bulk of Australians, including transport and logistics workers.

TWUSUPER is supportive of the federal government's decision to establish the forthcoming Retirement Incomes Inquiry and believes the bill should not be considered before the Inquiry has concluded.

Further, TWUSUPER is concerned that the timeframes are unrealistic for both employers and funds. Enterprise agreements take months to negotiate and are the subject of careful work and negotiation, including around superannuation provisions.

In the event the parliament supports the bill, TWUSUPER suggests that amendment to delay commencement of its provisions to 1 July 2021 would provide time for employers and stakeholders to ensure that members can be advised of the change in advance, and ensure workplace education to help sustain informed choice in workplaces.

It is unfortunate that the bill has been introduced to the parliament before the completion of the federal government's Retirement Incomes Review, and before tackling more pressing concerns around superannuation.