

## Submission to the Senate Economics Legislation Committee

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### Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019

By Luke Zhou

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***The views expressed are solely those of the author and should not be assigned to UNSW.***

### Summary

- 1) This legislation should be supported in principle, as it allows all employees to have choice of fund, benefiting young workers in particular
- 2) The legislation should be amended in the following aspects:
  - a) All employees should receive a modified choice of fund form in a timely manner after the legislation is in force;
  - b) The choice of fund form should be modified so that employees elect to contribute to only one superannuation fund, with consolidation of accounts to be undertaken by the employee's elected fund;
  - c) There should be a uniform start date for all workers, regardless of the date an enterprise agreement is made, to limit confusion for employers and employees
- 3) These amendments are warranted to improve transparency and communication for employees, who are often disengaged from their superannuation. It will also give effect to the Financial Services Royal Commission's recommendation for 'stapling' of accounts.

### Submission

This legislation is particularly important for young people, such as myself and my peers who may hold multiple part-time jobs while undertaking study. Currently, as noted by the Explanatory Memorandum (EM), people like myself could be paying multiple sets of fees and insurance premiums. Even if we are engaged with our super and wish to consolidate our accounts, we are unable to do so because of provisions in our enterprise agreements. For example, some of my peers are working as tutors both at UNSW during weekdays as well as for private tuition colleges on the weekend. Due to provisions in the enterprise agreement, casual staff employed by the university are unable to exercise choice of fund, being compelled to contribute into UniSuper. This is highly detrimental to my peers, as they are often confused as to why they are defaulted in two superannuation funds, which automatically deduct two sets of fees and insurance premiums. This legislation will ensure that this unfavourable situation will no longer exist, and is a key reason why I support this legislation.

However, the mechanism in which choice is extended to employees could be improved. The proposed legislation does not go far enough to ensure that employees, particularly those who are disengaged, are able to consolidate multiple accounts in a timely manner. The EM states that the requirement to provide a choice of fund form only extends to new employees where a workplace determination or enterprise agreement is made on or after 1 July 2020, and that

“Existing employees will not need to be given a standard choice form where a workplace determination or enterprise agreement is made on or after 1 July 2020”<sup>1</sup>. This is inequitable, and could further entrench disengagement among existing employees, as they may not be aware that they have the possibility of consolidating their accounts. Furthermore, the bill does not specify a uniform transition date for all employees Australia-wide, instead tying this to the date where an EA starts to apply. This date is different across employers and could create further confusion among employees. Continuing from the example above, this could create confusion if one of my peers works for several universities as a tutor. As EAs are renegotiated, the employee would begin to have choice of fund under one employer but not another.

In my opinion, *all* employees should be given a choice of fund form in a timely manner after this legislation is in force. This is to ensure consistency between existing and new employees. This would be considerably more expensive than the current form of the proposed legislation<sup>2</sup>, but is necessary to ensure that all employees are clear on where their superannuation contributions go to, and are prompted to consider consolidating their accounts, if they have multiple accounts.

To extend this idea further, the standard choice of fund form should be modified so that accounts are automatically consolidated to the employee’s elected fund, unless the employee chooses otherwise. The power to perform this consolidation should be given to the employee’s elected fund. This will contribute to implementing the Financial Services Royal Commission’s recommendation that “machinery should be developed for ‘stapling’ a person to a single default account”<sup>3</sup>. This idea has been previously proposed by Mine Super<sup>4</sup>. If employees do not make an election, the status quo should continue to apply.

Finally, I believe it is far better to decide a uniform future start date for the provisions in this Bill, and not link it to the date that a particular EA is made. This also has the advantage that this date could be communicated widely in the news media, so that people are aware of the change in the legislation, and know for certain that it applies to them from this date. For employers, they are given time to work out the best way to communicate this change to their employees and set up their administration systems to allow contributions to multiple funds. However, there may be a cost to overriding existing EAs, which is difficult to determine<sup>5</sup>. Further consultation should be undertaken with employer and union groups on the feasibility of implementing a uniform start date.

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<sup>1</sup> Paragraph 1.26, Explanatory Memorandum, Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019

<sup>2</sup> Paragraph 1.118, Explanatory Memorandum, Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017

<sup>3</sup> Recommendation 3.5, Final Report, Final Services Royal Commission

<sup>4</sup> Page 6, Submission to the Productivity Commission Report – Superannuation: Assessing Competitiveness and Efficiency, Mine Wealth + Wellbeing Submission, August 2017

<sup>5</sup> Paragraph 1.121, Explanatory Memorandum, Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017