Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

26 February 2014

Question: AET 1681

Topic: **Stronger super reforms**

Written: **7/03/2014**

Senator Bushby asked:

The annual Best Practice Regulation Report for 2011-12 shows an exceptional circumstances claim was made for not doing a Regulatory Impact Statement for Stronger Super Reforms – Extension of the date by which trustees will be required to transfer the balance of default funds into MySuper products.

a. What were the circumstances that led to an exception claim?

b. Can Treasury advise if the legislation/regulation was developed under tight time pressures? If so, how did these pressures arise? Was there hurried decision-making or political pressures applying to these specific cases?

c. Can Treasury advise how much work would have been done to do a proper RIS?

d. If a RIS was done, is it the judgment of Treasury that there could have been either a major or unnecessary impact on parts of the community?

Answer:

a. A Regulation Impact Statement (RIS) was prepared by the Treasury on the Stronger Super reforms. The RIS was released by the Office of Best Practice Regulation (OBPR) on 17 October 2011 and can be found at http://ris.dpmc.gov.au/files/2011/10/03-Stronger-Super-RIS.pdf.

   Following ongoing consultations with relevant stakeholders, aspects of the MySuper measure were modified, and advice was subsequently received from the OBPR that some of these changes required separate analysis to meet regulation impact requirements.

   In the interests of providing certainty to the superannuation industry, both in terms of an early announcement and the timely introduction of legislation to Parliament, an exceptional circumstances exemption was sought and granted in accordance with the guidelines set out in the OBPR's *Best Practice Regulation handbook*.

b. The development of the MySuper legislation was undertaken in the context of extensive and continuing consultation with all sectors of the industry. The timely introduction of legislation was desirable to provide certainty for industry around the MySuper framework.

c. It is not possible to be precise about how much work would have been required to prepare a complying RIS as an exceptional circumstances exemption was granted.

d. As noted in the OBPR's '*Best Practice Regulation Report 2011-12*', the proposal is subject to a post-implementation review, at which time its impact will be assessed.

Treasury notes, however, that the proposal provides industry with additional time in which to identify and transfer the balances of pre-MySuper default accounts into a MySuper product. On the basis the superannuation industry has more time in which to comply with a legislative requirement, deferral is unlikely to have a negative impact on industry. Where a fund delays transferring the balances of pre-MySuper default accounts until the extended date, affected members could potentially be subject to higher fees and charges.