

Queensland Police Union of Employees

217 North Quay, Brisbane QLD Phone: (07) 3259 1900 E-mail: [REDACTED]
PO Box 13008, George Street, Brisbane QLD 4003
ABN 75 781 631 327



15 September 2021

Linus Power MP
Chair
Economics and Governance Committee
Parliament House
Alice Street
Brisbane Qld 4000

Dear Linus,

***RE: SUPERANNUATION (STATE PUBLIC SECTOR) (SCHEME ADMINISTRATION)
AMENDMENT BILL 2021***

The Queensland Police Union of Employees (QPU) welcomes the opportunity to provide a submission to the Queensland Parliament Economics and Governance Committee's consideration of the Superannuation (State Public Sector) (Scheme Administration) Amendment Bill 2021.

As an organisation that nominates a Trustee to the Board of QSuper, the QPU has an unwavering and close interest on whether the merger is in the best interests of the police members of QSuper. In addition, under the Heads of Agreements agreed to in March 2021, QPU will continue as a trustee of the newly created Registered Superannuation Entity (RSE).

The QPU notes the objectives of the Bill are to support the merger of QSuper and Sunsuper by amending the Superannuation (State Public Sector) Act 1990 . More specifically the Bill seeks to:

- Retire the board of QSuper and provide for the superannuation scheme to be administered by a corporate trustee;
- Provide for the scheme's trust deed (the Superannuation (State Public Sector) Deed 1990), which sets out the scheme's rules, to be moved out of legislation (through its conversion to a non-statutory instrument, in keeping with the new status of the trustee as a proprietary company);
- Ensure the merged superannuation entity continues to be based in Queensland;
- Maintain public sector employees' defined benefit protections within legislation; and
- Retain a statutory framework for state public sector employees' superannuation contribution arrangements.

By way of background, the QPU represents over 12,000 members of the Queensland Police Service (QPS) on legal, economic and legislative issues. Of significant relevance to the Committee's consideration of this Bill is that these Queensland police officers are predominantly members of QSuper.

The QPU strives to advance, enhance, and promote the profession of policing and contribute in a positive way to the wellbeing of the community. Police officer retirement income continues to be one of the most important policy issues for the QPU.

Police officers serve in one of the most demanding professions in existence. Every day Queensland police work tirelessly to ensure the safety and security of our community. Police officers around the state show courage and dedication in exercising their duties.

On a daily basis police officers see the best and worst of Queensland. For this reason it is not uncommon for some who have served to seek an early retirement. Added to this is the fact that legislation determines that police must retire at 60 years of age. This creates a number of unique circumstances for police including fewer contribution years to superannuation and the need for earlier access to their retirement income.

Police don't seek credit for this work, it is their job, however they do reasonably expect to be supported by all tiers of Government for their time, expense and sacrifice in performing their duties.

Their superannuation is of core importance to their own and their family's wellbeing and future as it directly determines, how they live after retiring from work. At present the average super balance for a Queensland police officer is \$367,700 and contrasts against the average balance of a QSuper member of \$170,667 (as at the August 2021). Furthermore, the average balance of a 59 year old Queensland police officer is \$859,400 that includes both accumulation and defined benefits.

This creates an imperative for the Queensland Government and this Committee to ensure that merger outcomes and resulting retirement income are managed properly and are sufficient to meet a police officer's greatly deserved civilian retirement.

QPU is greatly guided by the Superannuation Industry (Supervision) Act 1993 whereby an RSE licensee has a general obligation to act in the best interests of the beneficiaries at all times.

As a result the QPU, as a trustee, evaluates the merit of the proposed merger between QSuper and Sunsuper specifically in the context of how it may impact on its members. To this end, the QPU is supportive of the merger as are other trustees with a Heads of Agreements signed in March 2021.

The ultimate determining question for QPU, QSuper and Sunsuper trustees was whether the merger is in the best interests of their respective memberships. QPU believes this key question to be in the affirmative.

QPU notes Sunsuper has the widest reach of the two RSEs with over 1.6 million members, but with \$72.6 billion it is the smaller fund compared to QSuper's \$115.3 billion in assets for its 588,000 members. QSuper is ranked Australia's third largest super fund by assets and 16th largest super fund by members. Sunsuper is ranked Australia's 10th largest super fund by assets and fourth largest super fund by members.

If the merger receives final approval by the trustees and the Australian Prudential Regulation Authority (APRA) the resulting superannuation fund will be the largest in Australia in terms of members and the second largest in Australia in respect to assets only behind the Commonwealth Superannuation Corporation.

In theory, this will have the potential to create and leverage scale and capabilities, drive greater efficiencies, promote a stronger competitive position in the market, and generate greater value to members through better returns, lower fees and improved services. Merging funds, is historically argued to lower management costs and increase investment opportunities.

APRA indicates specific reasons for undertaking a merger may include, but are not limited to enhancing member outcomes or experience; and access to greater economies of scale which may provide benefits, including a greater choice of product features, for example, more diversified investment choice, lower fees, or more favourable insurance arrangements.

According to the Productivity Commission Inquiry on Superannuation: Assessing Efficiency and Competitiveness 2018, significant economies of scale have been realised through mergers in recent years, particularly in administration. Gains in system savings (accruing from increases in scale) totalled an estimated \$4.5 billion between 2004 and 2017.

On the face of it, the logic behind a QSuper and Sunsuper merger seems compelling. However, this logic risks conflating scale with performance, and plays down the significant integration risks that exist when merging funds. Accordingly there must be continuing oversight of the merger process and then the operation of the newly created RSE.

One area where further clarity will be needed over time will be with respect to Total and Permanent Disability (TPD) insurance arrangements for future members under the merger of QSuper and SunSuper. The Queensland Police Union remains concerned at the current TPD

insurance offering from SunSuper in particular – known as TPD Assist – an insurance product that is at odds with many traditional insurance products contained within super funds where payments are typically made in instalments, rather than as a lump sum. This can often lead to a protracted and difficult process for those members concerned, particularly as members must continually re-prove their injury or illness in order to continue to qualify for a benefit – by contrast the majority of other funds will pay a member a lump sum once that member is confirmed to be TPD, an approach the QPU believes is more dignified and appropriate for those members suffering from an injury or illness that they will not recover from.

In considering and conducting a merger, the RSE licensee must act with the care, skill and diligence of a prudent superannuation trustee, which is at the standard of a professional trustee. This will be key for QPU and all legacy and new trustees.

Operating a superannuation fund is complex. It requires the seamless operation and integration of multiple functions, from promotion and member engagement to asset and investment management, insurance, administration and compliance. Achieving operational excellence in all these areas is a challenge, for any fund.

It is imperative that through the proposed merging of QSuper and Sunsuper, the trustees and the Queensland Government collectively ensure the retirement incomes of police officers are adequate to meet future needs, and are fair, sustainable and compatible with our social expectations of compensating those who have sacrificed.

The QPU is satisfied that a merger between QSuper and Sunsuper will result in a partnership that generates greater economies of scale that will create better value for members, in the form of enhanced returns, products and services and more competitive fees. Accordingly the Superannuation (State Public Sector) (Scheme Administration) Amendment Bill 2021 is supported by the QPU.

I trust our submission is of assistance to the committee and I am available at any time to discuss this matter further with the committee.

Yours faithfully



IAN LEAVERS
GENERAL PRESIDENT & CEO