

The Hon Jim Pearce MP  
Chair (By email: [ipnrc@parliament.qld.gov.au](mailto:ipnrc@parliament.qld.gov.au))  
Infrastructure, Planning and Natural Resources Committee  
Parliament House  
George Street  
BRISBANE QLD 4000

16 August 2016

Dear Mr Pearce

***Revenue and Other Legislation Amendment Bill 2016***

We refer to the above Bill submitted to the Committee for its review and recent late submissions to the Committee. On behalf of the Queensland Local Government Superannuation Board (the Board) which acts as trustee for the Local Government Superannuation Scheme, now known as LGIAsuper, we wish to respond to a number of issues raised in the submissions lodged by Energy Super, BUSSQ, Sunsuper and the Electrical Trades Union.

**1. Government control/ownership**

Some submissions referred to LGIAsuper as "Government-Owned". LGIAsuper is a Federally regulated superannuation fund. There is no State Government control exercised over the Fund. LGIAsuper has its own Trust Deed which sets out the product rules and governance requirements for the Fund. The Trust Deed appoints the Board as the trustee for the Fund and all directors of the trustee are appointed under the rules in the Trust Deed.

The State Government therefore does not have any equity in the trustee and nor does it exercise any control over trustee decisions or appoint its trustee directors. The only guarantee provided under the State legislation is to ensure adequate local government funding of the Defined Benefit Funds. Both Defined Benefit Funds within LGIAsuper are currently fully funded.

**2. Impact of LGIAsuper and QSuper entering the public offer superannuation market**

The submissions put forward by BUSSQ and Sunsuper raised concerns regarding the potential detriment to the superannuation market from LGIAsuper and QSuper becoming public offer funds including the loss of members by other super funds.

LGIAsuper considers it more relevant to focus on the benefits to Queensland workers from a more competitive market place. While LGIAsuper currently provides an efficient retirement savings option to its members with strong, risk-adjusted investment performance at very low cost, greater market competition will lead to better outcomes for all members of all funds. Queensland workers will be the beneficiaries.

LGIAsuper also notes that its members have had the ability to transfer out their accrued benefits to other funds for a number of years, under the Federal Government's portability rules. The Fund has therefore been subject to competition for its members' benefits but without the ability to accept non-local government workers into the Fund.

### **3. Default Fund for Local Government Workers**

LGIAsuper has been nominated as the default fund for Queensland local government employees. The nomination has been approved by the Local Government Association of Queensland, the representative body for local governments. This arrangement is consistent with default fund arrangements for other Queensland and Australian employers. We note that a number of industry EBAs provide for limited or exclusive default status which LGIAsuper has no ability to access.

### **4. Defined Benefit Funds subsidising Defined Contribution Funds**

Sunsuper raised the potential for Defined Benefit (DB) Funds to subsidise Defined Contribution (DC) Funds given that the DC Funds would be open to public offer whereas DB Funds are not.

LGIAsuper's two DB Funds actually benefit from being part of the LGIAsuper funds due to the scale of the combined funds producing lower charges for investment fees charged by investment managers.

The DB Funds were closed in the 1990's and are now in decline in terms of funds under management. If they were managed on their own the investment fees would be higher because of their lower funds under management and consequently higher investment fees charged.

### **5. Consumer perception of security due to government ownership**

Many funds use tactics to build positive consumer perceptions of their brands. As outlined in 1 above, LGIAsuper is not Government-Owned. LGIA super has never, implicitly or explicitly, indicated that the Fund is guaranteed by the State Government.

LGIAsuper has used its investment strategy of focusing on fully diversified investments to provide protection for members during periods of poor market returns.

## **Conclusion**

The amendments within the Revenue and Other Legislation Amendment Bill 2016 are fully supported by the Board of LGIAsuper. The Board has been seeking the amendments for a number of years and has gained support for the changes from LGIAsuper's key stakeholders – the unions representing the employees in local government and the LGAQ which represents the local governments.

The Board seeks the Committee's support in recommending the Bill is passed by the Queensland Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bronwyn Morris'.

**Bronwyn Morris**  
Chair

A handwritten signature in black ink, appearing to read 'David Todd'.

**David Todd**  
Chief Executive Officer