

Briefing Note for Infrastructure, Planning and Natural Resources Committee

Inquiry into the Revenue and Other Legislation Amendment Bill 2016

Queensland Treasury

Briefing on background to consultation

- The Board of Trustees of the Superannuation State Public Sector Scheme (QSuper Board) is not owned by the Queensland Government.
- The QSuper Board is a constitutional corporation created pursuant to Queensland Statute, established under Part 2 of the *Superannuation (State Public Sector) Act 1990*.
- QSuper like industry superannuation funds, does not have shareholders and is not owned by any other entity.
- Under the *Superannuation (State Public Sector) Regulation 2006* the QSuper Board has equal representation (i.e. an equal number of trustees representing employer interests as well as member representatives, plus the option for an independent trustee).
- As is the case with industry superannuation funds, QSuper is regulated under the Commonwealth's *Superannuation Industry (Supervision) Act 1993*.
- The operations of the QSuper Board cannot be directed by another entity, including the Queensland Government. Queensland legislation does not provide for the Queensland Government to direct the QSuper Board on its operations.

Consultation

- Under the Bill, the State Government and Local Councils are voluntarily electing to provide their employees with the ability to choose their own superannuation fund and for employees who do not make an election, the default funds will be QSuper and LGIASuper. Legislative barriers to membership for both funds will also be removed.
- The State Government consulted on the changes impacting State employees with representatives of the major unions – Queensland Nurses' Union, Queensland Teachers' Union, Queensland Police Union (AWU), Together Union and also with representatives of the Australian Workers' Union and the Services Union.
- LGAQ, Brisbane City Council, AWU and the Services Union were consulted on the changes proposed for Local Government workers.
- No objections to either the introduction of choice, the selection of the default funds or QSuper and LGIASuper becoming public offer were raised during this process.
- Consultation on choice of fund also occurred with the incumbent funds, QSuper and LGIASuper. In response, both Boards (who are independent of Government) expressed concerns around the potential impact of choice and in response both asked for barriers that restricts their membership to be removed.
- Both funds have indicated that they will be applying for a public offer licence so that members of the general public can join and ameliorate the loss of membership.
- Each has now invested significant amounts to obtain public offer licences and make all the necessary administrative, system, process, communication and regulatory etc changes to meet their obligations.

- The decision to offer choice of fund is the Government's decision. The decision to apply for public offer status is a QSuper and LGIASuper Board matter - not a decision for the Government.
- In terms of exposing QSuper and LGIA to competition, the legislative process and foreshadowed introduction of choice of fund has provided competitor funds early warning of the Government's decision - up to nearly 12 months.
- As indicated in the press, HESTA, a Melbourne based fund with national coverage, has openly stated it will be vying for QSuper's members once choice is introduced. This clearly indicates that both funds are increasingly subject to strong competitive pressure. These funds are currently under pressure to retain the account balances of former employees and existing members – both of which can be moved from the funds now – at any time.
- The Queensland Competition Authority advised that broader public consultation was not required on the basis that the Bill increased competition in the industry and the impact on the Community was minor.