Speech by

Ms Grace Grace

MEMBER FOR BRISBANE CENTRAL

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REVENUE AND OTHER LEGISLATION AMENDMENT BILL (NO. 2)

Ms GRACE (Brisbane Central—ALP) (4.05 pm): I rise to support the Revenue and Other Legislation Amendment Bill (No. 2) 2008. In particular, I want to refer to the amendments to the Superannuation (State Public Service) Act 1990. Superannuation is something that I have had a passion for most of my professional career as a union official. I got involved in superannuation when I was a young industrial officer working for the then Bank Employees Union and became pretty proficient in relation to the types of funds being offered to bank employees at that time. They had a combination of accumulation funds and defined benefit funds. From then on, I had a keen interest. At one stage in my career I was a trustee of the QSuper board. I chaired Sunsuper and I was on the Sunsuper board for many years. I was also on the ESI superannuation board and got a very good feel for a fund that had an open accumulation part of the fund and a closed defined benefit part of the fund as well.

I was also then a deputy trustee for QSuper before I became elected to this House. It is one of the areas that I do miss in the type of work that I was doing before becoming a member of parliament. It always astounded me that there was always that tussle in the superannuation industry between which were the best of the two funds. Is it an accumulation fund or is it a defined benefit scheme? It clearly depended on the type of employment you were in and the kind of career that you were aiming for. We know that the world of work has changed very much over recent years. Not too many people stay in one job for a long period of time. In fact, I think the average turnover in jobs is five years. The accumulation type of superannuation fund suited those workers incredibly well.

For those who saw that one employer was generally their career and their industry—they often started young, worked their way up the ladder and retired like a lot of public servants many years ago—a defined benefit scheme that gave you a multiplier of your final average salary was the way to go. When you balance it all up, and unless you are clear about where you are going in your career, it really is fifty-fifty about which is the best scheme for you. When I became a member of parliament and a member of QSuper, I must admit that I tossed up whether to stay in the accumulation fund, which was a default fund, or whether to move. On all the figures that were given to me and that I was looking at, it was a fifty-fifty chance about which was going to be the best one.

Mr Rickuss: Which one did you choose?

Ms GRACE: I have stayed in the accumulation fund, in answer to the interjection, which I take, because I thought that it would possibly suit me in the long run.

Queensland was in a unique position in this country. We were really the only state with a defined benefit scheme open to all public sector employees. I remember at the time negotiating the scheme when we moved to the updated QSuper. I was one of the integral negotiators at the time when we increased the benefit. I will go through that increased benefit. At the same time, we set in train that the accumulation fund was going to be the default fund that all workers would join and you could transfer over to the defined benefit, but you could only do that once. Once you left, you could not go back in and then go against the fund or try to get an advantage by going in and out and in and out. There was a cut-off point and any negotiator could understand the reasons for that happening.

I do agree with the comments that were made by the member for Clayfield who said that it is prudent to do this given what we are seeing at the current time with some of the hardest economic circumstances that Australia and the world find themselves in. We need to do whatever we need to do to ensure that this fund not only is viable but also protects those members who are in it at the moment. Although it is sad and something that I think we all would like to have avoided—that is, closing the defined arrangements to new members—unfortunately given the current economic situation that we find ourselves in, we cannot have people betting against the fund. We really need to protect it not only for its future viability but for the members who are currently in it.

I will go through what has happened with other funds in the rest of the country. Victoria retains a defined benefit arrangement but only for emergency services workers. Over the past 15 years all jurisdictions have progressively closed their defined benefit arrangements. I will go through the years when they were closed. New South Wales started it off in 1992, Victoria and South Australia in 1994, Western Australia in 1995 and Northern Territory and Tasmania in 1999. Then the Commonwealth had to succumb because the liabilities were far outweighing the moneys that it had in the fund. We now have a major superannuation plan to try to get the Commonwealth up to speed in funding its liabilities. It closed its defined benefit scheme in 2005.

The Queensland government's standard contributory superannuation arrangements exceed most other state jurisdictions. I am proud to say that we negotiated that the government contribution of 12.75 per cent was linked to a member contribution of five per cent. Most other states—New South Wales, Victoria, Tasmania and Western Australia—only contribute nine per cent. It was something that we were able to achieve in the state because we had a Labor government. It was great to see that with a five per cent contribution we were leading the other states. South Australia contributes 10 per cent and is linked to a member contribution of 4.5 per cent. The Commonwealth is slightly higher. That was the quid pro quo when it closed its defined benefit scheme. It has a rate of 15.4 per cent without a requirement for a member to contribute.

What new members of this House have seen is that parliamentary schemes across the country which used to be pension DB schemes have closed to new members. Most now have the same arrangements as state public servants. In Queensland, other closed significant DB schemes are the Electricity Supply Industry scheme, ESI Super, of which I was a trustee just before I got elected to this House, which closed in 2002. The local government superannuation scheme closed in 1998.

Queensland has been in a unique position. It has had an employer sponsored defined benefit superannuation scheme for state public servants in place continuously since 1 January 1913. This early scheme is the genesis of today's QSuper. From its humble beginnings in 1913 QSuper has grown to where I believe one in every four Queensland households has some stake in QSuper. There are over $21 billion in funds under management.

Successive Queensland governments have understood the importance of QSuper. We have ensured that we have funded it. A lot of other state governments were not able to do this. We have been in a very strong financial position. It has meant that the QSuper offering has been able to improve over the years to address the expanding needs of its growing membership. In response to not only the changes that have been occurring in the Commonwealth area with regard to the regulation of super but also the increasing complexity that has crept into the existing state system through many changes, the scheme was redesigned. In 1990 the QSuper defined benefit arrangements commenced. The existing state super scheme was closed to new entrants and all existing state super members were given a six-month window of opportunity to transfer across. An overwhelming 95 per cent of members did so. I was involved in this at the time. I was a trustee at the time when we transferred people from state super over to QSuper.

During the same period, the other states and territories and the Commonwealth closed their DB funds and moved to accumulation arrangements. Accumulation schemes are generally seen to be more flexible than employer sponsored defined benefit schemes. Most superannuation funds have an investment choice environment. QSuper members can choose their investment. The risk is with them. But, at same time, in a bull market people get much greater returns than they would under a DB fund. Equally, in a bear market that risk is borne by the investors. People can change their investment choice. They can go to a more conservative investment option, stay in a balanced fund or go into a share-only fund. They are able to change by often giving minimal notice to their superannuation fund and transferring their moneys into their investment choice.

The beauty of this is that members can dictate where they want their money to be. I know that QSuper has been instrumental, for example, in bringing about socially responsible investments. Many members have taken up that option to ensure that their superannuation money is going to the right area. They are investing in what is known as socially responsible investment.

There are alternative classes in many different areas that people can invest in. QSuper has as its investment manager QIC, which has an innovative style of investing. It is probably one of the best investment houses in Australia and one that I would put my money with at any time.

QSuper also provides post retirement products, which I think is essential. They include a transition to retirement pension. That allows people who have reached their preservation age to draw on their super whilst continuing in the workforce. It really is a fantastic fund. We need to maintain the viability of this fund for as long as we possibly can. We must ensure that when members retire they receive all the adequate information and provision of services that is essential for them to look after themselves in a hopefully healthy and long retirement.

I commend QSuper on its ratings. It has received some platinum awards and a super rating rising star award. It was runner-up Pension Fund of the Year in 2007. I take this opportunity to congratulate them on that.

We are very fortunate in this state to have QSuper. It is a remarkable fund. It does look after its members. It is a fund that has a wide range of services and investment opportunities for members. It is unfortunate that we are in a position where we need to close the defined benefit fund. I believe that it is the right decision. For those reasons, I commend the bill to the House.