Speech By
Charis Mullen

MEMBER FOR JORDAN

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SUPERANNUATION (STATE PUBLIC SECTOR) (SCHEME ADMINISTRATION) AMENDMENT BILL

Mrs MULLEN (Jordan—ALP) (3.38 pm): I am pleased to rise and make a contribution to the Superannuation (State Public Sector) (Scheme Administration) Amendment Bill 2021. While I understand there is no requirement, I wish to declare that I am not a member of either QSuper or Sunsuper.

This legislation marks the beginning of something very significant for superannuation in this state and indeed in this country. Superannuation is a significant financial asset for many Australians. It sits alongside the age pension, the family home and other household savings as a pillar of the retirement income system.

Prior to entering parliament, I was on the board of a Queensland industry superannuation fund for a number of years. That experience has informed my deep appreciation and understanding of Australia's superannuation system. To the member for Buderim's point, I was in fact an employee representative or union representative, just as there were employer representatives on our board selected by employer organisations like AgForce, Growcom and Canegrowers.

To be very clear, I took my fiduciary responsibilities very seriously during my time on the board. I managed my conflicts carefully and I even completed a diploma in superannuation, so let's be very fair when we begin discussing merit based systems.

Honourable members interjected.

Madam DEPUTY SPEAKER (Mrs Gerber): Pause the clock. Members in the chamber, the member for Jordan is not taking any interjections. I wish to be able to hear her contribution. Please cease your interjections.

Mrs MULLEN: As a member of the board, ensuring that our decisions were in the best interests of members was paramount. This included making decisions on mergers that would ultimately benefit our members.

As reported in the Economics and Governance Committee report, as of March 2021 superannuation members collectively own approximately $3.1 trillion in assets, and superannuation will continue to play a central role in funding Australians' retirement into the future. Many may also not appreciate that our super funds also play an important role in the insurance space. About 12 million Australians have insurance—life, total and permanent disability, and/or income protection cover—through their super. Group insurance arrangements deliver many of them much more affordable insurance than they would be able to get through individually written cover outside of super. Because most of these group policies are provided on an opt-out basis, the large share of low-risk members in the pool acts to keep premiums down for everyone.

Some have argued, and I agree, that insurance in super has been a key factor in addressing the underinsurance gap in our country. As the chair of the insurance committee on my board we dealt with some very complex and tragic insurance matters for our members, but without this insurance many of our members would have been left with very little to continue their lives or those of their families.

The merging of two of Queensland's largest superannuation funds, QSuper and Sunsuper, will see a combined $200 billion in funds under management and two million members. This would establish the merged entity as Australia's second largest superannuation fund after AustralianSuper. As the default fund for Queensland's public sector employees, QSuper has been providing retirement benefits to the state's public sector workers for over a century. Since 2017 the fund has been open to all Australians. Sunsuper was established in 1987 as a fund open to all Australians and has quickly grown to become a leading multi-industry fund. These are both well-known and respected industry funds which operate on a profit-for-member basis, with any profits returned to members rather than to paying shareholders.

This proposed merger is timely, but it is also very much a merger of equals. We know that the superannuation industry has undergone a period of consolidation and rationalisation in recent years. This has been actively supported by the regulator APRA, which has been pushing very hard for several years for more fund mergers. This has been critical not only in weeding out persistent underperformers or making the sector easier to navigate for members; it is also about scale. The Productivity Commission's 2018 inquiry report *Superannuation: assessing efficiency and competitiveness* pointed to 'compelling' evidence of the economies of scale to be gained through the larger fund size associated with mergers.

The commission found that reported fees in Australia are higher than in many other OECD countries. While some of the difference may reflect regulatory or other factors beyond funds' control, the data revealed that Australian super funds pay higher costs for the biggest asset classes—equities and fixed income—compared with their peers in other developed countries. Their analysis found that significant economies of scale have been realised in the super system over the past 13 years, particularly for administration expenses. Holding constant other cost drivers, increases in scale are estimated to have generated cost savings of about $340 million each year on average, amounting to $4.5 billion in incremental gains since 2004.

As we know, the super system exists to support its members in retirement. In the long term, members need strong investment performance and a balance that has not been eroded by unnecessarily high fees or insurance premiums. QSuper and Sunsuper have forecast that administrative costs will reduce and investment performance will improve in the merged fund, and the government is satisfied that this will be passed on to members through lower fees and higher returns. As QSuper is established under the Superannuation (State Public Sector) Act 1990, which provides for the governance arrangements for the QSuper board and QSuper fund, amendments to the legislation are required to enable the merger to proceed. It is important to note that the decision to merge is one for the boards of each fund and not for the Queensland government; however, unlike other states, Queensland continues to be the only state in Australia with a fully funded defined benefit scheme.

Given the clear interest the Queensland government has to preserve the entitlements of QSuper members and the government's defined benefit scheme, the agreement to facilitate the necessary amendments to the superannuation act was subject to the following six conditions being met: that the merger is in the best interest of members; there are appropriate governance and protections to preserve member benefits and manage the government's liabilities in relation to the defined benefit scheme; continued representation of the Queensland government as an employer sponsor of the merged fund's board; continued delivery of certain administration functions for the government; continued delivery of community service activities, particularly those supporting Queenslanders facing challenges accessing their superannuation; and consultation and satisfactory outcomes with relevant stakeholders.

The decision by QSuper and Sunsuper to merge is financially sound. It will give the merged fund increased capacity in its investment decisions. It takes into account the current mergers and acquisitions environment that APRA is strongly promoting. Importantly, it is going to be in the best interests of members. I commend the bill to the House.