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

Mr JANETZKI (Toowoomba South—LNP) (Deputy Leader of the Opposition) (11.48 am): At the outset, let me confirm that the opposition will be supporting the bill today.

The proposed merger of QSuper and Sunsuper is a landmark moment for Queensland's financial services industry. The bill, technical in nature, attends to the mechanical aspects of the merger by, among other things: retiring the board of QSuper and moving QSuper's trustees out of the legislative framework; transferring the Sunsuper fund into the QSuper fund by way of a successive fund transfer; ensuring the merged fund continues to be based in Queensland; facilitating the merged fund to be administered by the current Sunsuper corporate trustee that will be renamed and reconstituted and therefore appointed as the trustee for the merged fund; and retaining a statutory framework for state public sector employees' superannuation contribution arrangements.

QSuper and Sunsuper have long and proud histories. They are quintessential Queensland businesses that have helped public and private sector workers save for retirement for generations. In fact, the fund that ultimately became QSuper, the Public Service Superannuation Fund, was established on 1 January 1913.

The fund was opened to full-time salaried Queensland officers of the Crown and started with just over 2,000 members. Members made contributions from their salary and had access to annuity, assurance and incapacity benefits. By 1920 membership of the fund had grown to nearly 5,000 members. Moving forward to 1958, membership had grown to nearly 13,500 members. However, the fund was being compared unfavourably with the superannuation schemes of other states and the Commonwealth.

The year 1959 witnessed a new scheme under the Public Service Superannuation Act and the introduction of widows and children's pensions in Queensland for the very first time. Membership was widened in 1965 to include full-time salaried employees of the railway department, the Public Hospitals Board, the Queensland Health Education Council and the Golden Casket Art Union Office. Portability of superannuation was a feature by 1985, and in 1986 the Commonwealth announced that Australian employees working under an award would receive a three per cent contribution from their employer.

From 1 January 1991, all new Queensland government employees joined the new QSuper scheme and 95 per cent of existing members were grandfathered. In 1992, superannuation became compulsory, with the superannuation guarantee requiring employers to contribute for their employees. In 1997, legislation was introduced to consolidate a range of schemes, including Gosuper, the Voluntary Investment Plan, State Super, Police Super and fire super under the one QSuper scheme. On 1 July 2017, QSuper became a public offer fund and welcomed all new members to join.

Likewise, Sunsuper has been an industry force since it was established in 1987. Incidentally, one of my mentors helped draft the trust deed at the time. The *Courier-Mail* announced the launch of Sunsuper on 2 October 1987 in glowing terms, with the headline 'Superfund for all jobs is launched'. It went on to say—

Unions and employer representatives yesterday launched Queensland's first multi-industry superannuation fund.

The fund, called Sunsuper, has the support of the Queensland Confederation of Industry, the Trades and Labour Council and the Australian Workers' Union. Suncorp will manage the portable fund.

The QCI general manager, Mr Roger Bryce, said the Sunsuper concept stemmed from the March national wage decision when it became clear every employer would have to face the issue of superannuation. Sunsuper's creation has been described to me quite colourfully as the love child of Paul Keating and Sir Joh. By 1990, it was the largest multi-industry fund in Queensland and the sixth largest private sector industry fund in Australia, with a membership beyond 82,000. The chair of the shortly merged fund, Mr Don Luke, became CEO of Sunsuper in 1996, and by 1999 the Sunsuper personal product launched which allowed anyone to join the fund.

The fund witnessed strong growth from 2005, with well-recognised advertising campaigns. The year 2015 saw the appointment of their first independent director, and in 2017 it was Australia's fastest growing top 10 super fund. As at 30 June 2021, Sunsuper had roughly $90 billion in funds under administration and close to 1.4 million members. QSuper has about $134 billion in funds under administration, with over 600,000 members. QSuper funds under administration also include more than $20 billion in a defined benefit fund administered on behalf of the Queensland government.

QSuper was named as the 2021 fund of the year by SuperRatings and Lonsec—the third time in six years the fund had been recognised—and Sunsuper last year took out the Chant West super fund of the year award for the third time in four years. The merged fund—and I note I am a member of both funds—will be Australia's second largest superannuation fund, rivalling AustralianSuper for size and scale. It will be comprised of more than two million members and manage over $200 billion in funds under management, and the fund will have around 2,000 employees. From conversations with QSuper chair, Mr Luke, and Sunsuper chair, Mr Fraser, it is obvious the herculean efforts that have been expended in reaching this stage. Consultation with government and opposition members has been significant and consistent throughout the years.

In November 2019, QSuper reported that it and Sunsuper were in early discussions over a proposed merger, and in March 2020 the funds announced their intention to enter exclusive due diligence. One year later, QSuper announced that the trustees of QSuper and Sunsuper had signed a heads of agreement to confirm the intention to merge. Submitters to the bill were strongly supportive with few exceptions, including the CCIQ, which has played a substantial role, particularly with respect to Sunsuper throughout the years.

With nearly half of QSuper members over 50, experts have long noted the need to drive an increase of younger people into their membership. The SuperRatings managing director has commented that QSuper primarily exists to manage the retirement nest eggs of public servants, of whom many are retired or are approaching retirement. About 23 per cent of QSuper's members are aged over 60, while a substantial proportion of Sunsuper's membership are still in their 30s. Merging with Sunsuper will establish a broader and younger membership that will aid sustainability and competitiveness in the decades ahead. It will also effectively spread the risk of the economic cycle.

There is no doubt that a merger of this scale will drive efficiencies. Operating costs will be shared across a broader membership base. Expanded investment opportunities and partnerships will be more easily accessed. Better investment decisions within asset classes will be reached. Social impact investment opportunities that return value can be explored as a way to address social ills. New services and products will be inspired by innovation and technological possibilities. All of this should, as the merged fund has indicated, deliver better returns and reduced fees. When combined fees drawn from QSuper and Sunsuper currently total around $300 million per year, that is a necessary commitment.

There has undoubtedly been an intensifying regulatory pressure for mergers to achieve economies of scale. Had QSuper and Sunsuper not merged, it is likely that they would have received merger offers from other funds across the nation, but it is not just the superannuation industry where there is consolidation activity. APRA is encouraging consolidation in the mutual banking sector too. Heritage Bank and People's Choice are currently completing due diligence, Newcastle Permanent and Greater Bank are also working together, and CUA rebranded as Great Southern Bank earlier this year. APRA chairman Wayne Byres has repeatedly said that the superannuation industry is not delivering the right outcomes, as noted by the Productivity Commission. Last year Mr Byres said—

Trustees have not always been focused on their members' best interests, aggregate fees and costs are too high, insurance has not always been good value for money and there has been too much inefficiency in the system.

In this regard, board composition is always a point of contention. As superannuation fund managers do not have voting rights, it is imperative that boards contain a high degree of experience in relation to governance and transparency. APRA Prudential Standard SPS 510 outlines the high governance standards necessary and directly addresses skills and expertise requirements, conflict management, and independence and transparency obligations. I echo the Productivity Commission's stated view that—

All trustee boards need to steadfastly appoint skilled board members, better manage unavoidable conflicts of interest, and promote member outcomes without fear or favour.

The merged funds board will have 13 members: six employee representatives—that is, union appointments—four employer representatives and three independent appointments. It goes without saying that the government of the day will have influence directly or indirectly in the appointment of some of these last seven appointments. These arrangements will be laid down in the merged funds' constitution. Although I have not viewed this constituting document, it will address board composition in detail. I believe that 13 directors is far too many for a board, but it is not surprising, given the complexity of the merger, that such a conclusion has been reached. Mr Luke certainly has the experience and expertise to spearhead the merged fund, and I look forward to his leadership in the years ahead.

Let me turn for a moment to the seriousness of superannuation not just for superannuation members but also for our state and nation. For most Australians, their retirement is funded by a mix of the age pension, superannuation and voluntary savings, or at least two out of these three. The federal Treasury 2021 Intergenerational Report details that expenditure on the age pension will actually drop from 2.7 per cent of GDP to 2.1 per cent of GDP in the next 40 years. In the same timeframe, superannuation drawdowns will move from 2.3 per cent of GDP to six per cent of GDP.

There is well over $3 trillion under management by superannuation funds in Australia. Fundamentally, superannuation is a trade-off between trusting citizens to plan ahead and a desire to ensure they have a quality of life in retirement. Troublingly, the Productivity Commission has noted that 30 per cent of Australians are financially illiterate. On top of this, only 10 per cent of super fund holders switch funds annually—and some of this will be due to their employer switching default funds—while only one in three people have ever changed their investment options.

During 2020, as part of the COVID economic stimulus, $37.8 billion was withdrawn from superannuation. At the time this was predicted to have a catastrophic impact on the share market and beyond but, as we saw, the share market and superannuation funds experienced strong returns during financial year 2020-21. Each year, superannuation funds collect over $30 billion in fees from their members. Despite recent downward trends, the Productivity Commission reported in 2019 that Australia still had the highest pension fund fees in the OECD.

The Financial Services Council reported in 2017 that only 23 per cent of millennials trust superannuation institutions and, further, only 39 per cent of all 18- to 24-year-olds have ever read their superannuation statement. Millennials will hold four different jobs by the time they are 30 and, given their lack of engagement with superannuation, that heightens the likelihood of holding multiple accounts. The Productivity Commission found that each additional fund held will erode super balances at retirement by six per cent due to such erosion by fees. I believe it is incumbent on superannuation funds to educate where possible, starting at school age or their first job, to ensure that more citizens understand what they need in retirement and how they will get there. Further, I think the merged fund could explore product offerings to under-35s, especially with the challenges faced by young people seeking to enter the property market. Certainly, any products that could be flexibly used to help build home deposits are worthy of consideration.

Notably, the federal government's retirement income review showed that there is, on average, a 22 per cent difference between median superannuation balances between men and women at retirement age. Worse still, women, particularly if they are single, divorced or widowed, are much more likely to suffer poverty, housing stress and homelessness in retirement. Earlier this year, Senator Jane Hume was appointed Australia's first Minister for Women's Economic Security. That appointment was in addition to her existing superannuation ministerial responsibilities. The opposition has also appointed a shadow minister for women's economic security, the member for Whitsunday. One area of focus for our economic team is to highlight the superannuation gap for women and the causal contributory factors. These include, among others, the gender pay gap, time out of the workforce due to caring responsibilities and the decision of many to work part-time.

It is exciting that there is a possibility of building Brisbane as a financial services challenger in the decades to come. Compare QIC when it was established in 1991 with where it is now. Now imagine this merged fund and what it might look like in 30 years. Imagine homegrown talent no longer needing to leave for Sydney or Melbourne let alone Hong Kong, London or New York. Imagine a confident

Brisbane with a financial services hub right here that will provide more options for young people right across our state—technology, finance professionals, lawyers, accountants and a host of other professions building a career right here at a national financial services powerhouse.

From here, I wish the respective boards the very best in their final deliberations. My hope is that the final prudential approvals are granted expeditiously and that the boards can complete their relevant processes. The passage of this enabling legislation is an important piece in a very complex puzzle that will reach its conclusion in the next few months. Queensland and Queenslanders, both of today and future generations, stand to benefit greatly from this merger.