




Speech By  
**Melissa McMahon**

**MEMBER FOR MACALISTER**

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Record of Proceedings, 26 October 2021

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

 **Mrs McMAHON** (Macalister—ALP) (12.24 pm): I rise to support the Superannuation (State Public Sector) (Scheme Administration) Amendment Bill 2021. As a member of the Economics and Governance Committee, we inquired into this bill following its introduction on 1 September 2021. I thank my fellow committee members and the secretariat, as well as submitters, in relation to their involvement in this inquiry into the bill before us. From the outset I declare that I am a member of QSuper, like over 620,000 other Australians, having been a state sector employee since 1977 and, unlike the member for Mermaid Beach, enjoy the defined benefit scheme.

The purpose of this bill is to provide the legislative framework to support the merger of two of Queensland's largest super funds, QSuper and Sunsuper. It does this by retiring the board of QSuper as trustee of QSuper and moving the trust deed for QSuper out of legislation, ensuring the merged superannuation entity continues to be based in Queensland, maintaining public sector employees' defined benefit protections within legislation and retaining a statutory framework for state public sector employees' superannuation contribution arrangements.

It should be noted that the merger of these two entities, between them having over two million members and administering over \$224 billion worth of funds, is at their request. The purpose of this bill is merely to facilitate the legislative requirements of the merger. This is a merger that began in a memorandum of understanding back in 2020 which required close examination and due diligence due to the legislative requirements that any mergers of funds must be in their members' best financial interests. It should be noted that both of these funds are profit-for-member organisations—that is, that any profits made are returned to members rather than shareholders.

During the inquiry process I asked about the current climate of mergers within the superannuation industry and how a reduction in the number of funds was beneficial for consumers given the age-old adage that more competition in the marketplace was better. I was advised that in June 2013 there were 279 funds regulated by the Australian Prudential Regulation Authority, or APRA, and as at March this year there were only just over 150. APRA actually encourages the reduction and merger of funds. I was advised that in times of market shocks which the COVID-19 pandemic has caused there has been an impact on funds' flow and liquidity due to declining member contributions and early release withdrawals. Consolidated and larger funds are better placed to weather these market shocks.

On top of that, with economies of scale merged and larger funds are able to deliver better performance with lower fees for members. This was backed by the Productivity Commission report in 2018 which found compelling evidence that larger funds appeared to make better investment decisions within asset classes and that reduced administrative costs associated with increased scales and saved members an estimated \$4.5 billion during the period 2004 to 2017. During the public briefing the Under Treasurer specifically made mention of the benefit of IT spend by funds and the advantages of merged systems and better member services.

If I may turn to the more substantive aspects of the bill, this legislation must make specific amendments to the Superannuation Act as it currently provides that the membership of the QSuper board and appointments of its members are to be prescribed in regulation. There are a number of regulations which establishes the QSuper scheme and articulates its governing rules. The merger of QSuper and Sunsuper will constitute a board which will be administered under a trust deed, not subordinate legislation. Accordingly, the bill seeks to omit the QSuper board provisions from the Superannuation Act. The make up of the new board has been agreed to by both funds.

The bill includes amendments to require that the merged fund continues to be based in Queensland. This is ensured by stipulating that the principal place of business under the Corporations Act is in Queensland and that the new trustee's CEO and the majority of the trustee's directors and key management personnel ordinarily reside in Queensland. This means Queensland will be home to Australia's second largest superannuation fund and the over 2,000 jobs that it encompasses will be Queensland jobs.

The bill also requires that the consolidated trust deed of the merged fund continues the provisions of the QSuper trust deed. This is necessary to continue the defined benefits for state sector employees who already hold it. The safeguarding provisions contained within this bill ensures that any changes to defined benefits cannot be detrimental to current members.

Queensland continues to be the only state in Australia with a fully funded defined benefit superannuation scheme. QSuper and Sunsuper have both confirmed that, under the merger arrangements, there will be no change to the benefit design for existing defined benefit members. The bill also provides that public sector employee superannuation contribution arrangements are retained within the statutory framework. The regulation that supports this must be made within one year of the commencement of this bill. That does not leave much time for dillydallying, but until the regulation is finalised a transitional arrangement will be in place to ensure that the current contribution rates continue as per the current superannuation deed. Queensland's and Australia's current superannuants under both of these schemes can be assured that their contribution arrangements will be continued until such time as that regulation comes into place. I commend the bill to the House.