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Submission in response to:

Consultation paper: Securing Australians' Superannuation, Budget 2023-24

Thank you for the opportunity to provide a response to the Consultation paper on *Securing Australian's Superannuation, Budget 2023-24*.

Rest is a major profit-to-member industry superannuation fund with nearly 2 million members – or around one-in-seven working Australians – that manages assets of around $75 billion[1].

Rest strongly supports the introduction of 'payday super.' Many Australian workers including Rest members will directly benefit from this change, including by unlocking the power of compounding interest returns on more frequent Superannuation Guarantee contributions.

If we consider a Rest member with an average income of $36,000 at 20 years old, applying 12% super guarantee, and average annual 4% salary growth over their working life and retiring at 65, we found that: if super were paid monthly instead of quarterly, the member would be better off by around $8,400 at retirement, if paid fortnightly, they would be better off by around $10,600.

Many Rest members work in part-time or casual employment, and this change will also make it easier for members to track the contributions received into their superannuation account and check that payments have come through as expected. This is especially important for casual workers, whose hours can vary significantly from week to week.

Implementation of these reforms requires careful planning and execution to avoid adverse outcomes and minimise non-compliance. The change required across all employers to implement the changes proposed is extensive. Currently, of the over 20,000 Rest employers in the retail sector, many pay superannuation more often than the required quarterly frequency, with approximately 61% paying monthly, and around 4% paying weekly or fortnightly. Rest receives contributions from approximately 280,000 employers in total, and if system and process changes are required for more than ninety per cent of all employers, there is considerable potential for disruption that has an impact on superannuation fund members, in the form of delayed or missing contributions, which would have a direct financial effect on those members' superannuation.

We are aware that employers have had considerable changes to manage in recent years, and that there are complex implications in transitioning to this new obligation – noting this is the reason why such an extended preparation period proposed to allow employers sufficient time to fully comply with their obligations. Despite this long preparation period, implementation must be

[1] As at 30 June 2023

effectively planned and controlled to maximise compliance and prevent detrimental effects on fund members.

Our submission focuses on how implementation can be executed in such a way to prevent those detrimental effects to members that could be caused by poor implementation. We have sought comment from some of Rest's employers on identifying some implementation issues, and these have been included as Appendix 1, attached to this submission. We believe this provides some key insights on the matters to be considered in designing implementation.

There have been a range of reforms recently for employers to act on, including stapling, and we are keen to ensure that the objective of more frequent superannuation contributions is achieved, and the adoption is consistent and effective. Rest maintains strong support of stapling as the best option for reducing unwanted duplicate accounts and maximising financial interests of Australian workers including Rest members. Stapling is very important for workers in part-time and casual work, and it is in their interests to avoid unwanted multiple accounts, maintain valuable insurance, and track superannuation guarantee contributions. Stapling in particular is the only plausible option for supporting approximately one million Australian workers who work multiple jobs, ensuring these workers do not have multiple accounts and therefore do not pay unnecessary fees and potentially duplicate insurance premiums.

We understand there is further consultation on the final design of the changes to come before the 2024-25 Budget, and we look forward to being able to contribute further to this process. We believe there would be benefit in more targeted consultations by either topic or stakeholder group to facilitate information-sharing and decision-making. However, we are also keen to ensure that there are no delays to passage of the legislation which is such an important change for Australian workers.

To discuss any aspect of this submission, I invite you to contact me directly.

Yours sincerely,

Sarah O'Brien

General Manager, Regulatory and Technical Services

Specific responses to the issues raised

The importance of data integrity and the growth of modern technology solutions

The implementation of 'payday super' will result in a significant increase in the volume of transactions through the superannuation transaction network. This rise in frequency could cause challenges in efficiently managing errors and issuing refunds promptly. With these impacts, accurate data will be of even greater importance to ensure that superannuation fund members receive their contributions on time and are not disadvantaged by data or payroll errors.

At the same time, we are seeing growth in the availability of, and interest in, integrated financial business software, payroll and accounts payable solutions. These solutions provide attractive efficiencies to employers, and the potential to address data integrity issues. Future design of the 'payday super' model should support the improved efficiencies these solutions offer, but need to maintain the regulatory framework and ensure that compliance is core to future development.

Recommendation 1

The design of 'payday super' should work with available integrated technology solutions to ensure efficiencies are captured, while compliance with employer obligations is maintained.

Implementation should support stronger compliance

The Securing Australian's Superannuation consultation paper proposes two models for managing payment compliance by employers. In managing the SG charge and any other penalties, the design should leverage existing reporting where possible. For example, funds already provide near-real-time reporting of contributions received to the ATO, which can be matched with Single Touch Payroll data for the purposes of monitoring compliance.

Rest believes that the 'due date' model best leverages existing reporting and information available to the ATO. The current servicing models across the superannuation data and payments network mean that establishing a clear date upon which an employer has delivered on an obligation to 'make payment' can be difficult. Clearing houses, payroll agencies and gateways all perform valuable functions as agents of employers and funds, and the complexity of these relationships can lead to a lack of clarity as to when an employer has 'made payment.'

We believe the 'due date' for super should be as close as possible to the date on which wages are paid to employees. We acknowledge that third-party processing times may lead to a delay of a day or more to the date when funds receive employer contributions on behalf of members, but recent and contemplated improvements in payments platforms should make this delay very low.

Better use of Single Touch Payroll data by the ATO could improve the visibility and management of compliance with an 'employer payment' model. Superannuation funds already provide highly frequent reporting to the Australian Taxation Office (ATO) on when contributions are received, and therefore of key importance to Rest is clarity that additional reporting and monitoring by funds will not be required as a result of these reforms. Improved use of Single Touch Payroll data, and better integration of technologies may, over time, offer opportunities to work towards an 'employer payment' model, as well as seeking faster and more accurate payment into superannuation funds.

Recommendation 2

Implementation should leverage existing technologies to support employers to meet their obligations and consideration should be given to a phased approach to monitoring and compliance, initially using existing reporting, with the potential to incorporate additional monitoring as solutions become more integrated and efficiencies are established.

Choice of fund, stapling and employee onboarding

The consultation paper acknowledges the emergence of onboarding platforms that incorporate digital choice of fund forms. Rest believes that while integrated solutions provide efficiencies for employers, and support good data integrity, these platforms should also support the objectives of reforms that seek to ensure employees are provided with appropriate information to support informed choice and minimise unwanted multiple accounts.

ASIC Information Sheet 89 (INFO 89) provides guidance to employers on what they can and cannot do when engaging with an employee about choice of superannuation fund. Of note, INFO 89 states an employer can *"give employees information about the default superannuation fund including information that the provider of the default fund has prepared, such as the Product Disclosure Statement (PDS)"*. **Rest supports a ban on commercial arrangements for advertising during the onboarding process, but believes it is important to distinguish that a ban on the promotion of superannuation products during onboarding should not prevent employers from providing factual information about their default fund to employees.** This provision of information should, naturally, be compliant with the guidance provided in ASIC's INFO 89. We believe that there may be implications for employers of the use of these platforms and their compliance with INFO 89, and other obligations.

Rest therefore recommends that any ban on advertising during the onboarding process be limited to situations where superannuation funds enter commercial terms with onboarding software providers, beyond just providing information.

Recommendation 3

A ban on advertising during the onboarding process should not prevent employers providing factual information about their default fund to employees, consistent with ASIC Information Sheet 89 (INFO 89).

Appendix 1 – Employer comments on issues related to implementation of payday super

Rest posed the following question to key employers:

What implementation issues could arise for you when more regular SG payments are mandated?

Key themes identified

- Difficulty in obtaining accurate information from employees (and franchisees in a distributed model) poses problems in ensuring timely contributions are made with all the required information.
- Employers are frequently not advised when an employee changes superannuation funds, leading to contributions having to be returned. With increased frequency of payments, and delays in obtaining the new information, this could lead to challenges in meeting new timeframes.
- Information about merging, closing or transfer of superannuation funds or products is not passed to employers, except through the member. This can lead to contributions being returned, which may be challenging in the payday super environment.
- Providers have not yet made available the wholesale stapling check API solution. Employers that are currently using the ATO bulk stapling check process have to wait 1-2 weeks for stapled fund details, which does not support payday super expectations.
- Concerns about timing obligations in relation to processing by clearing houses and final receipt by the superannuation fund.
- Additional administration requirements by more frequent superannuation contributions would require additional resourcing by employers to meet their obligations.

Implications for superannuation fund members

Concerns raised by employers indicate that there are some current issues with contributions management, including sourcing accurate data, changes to superannuation funds not being passed back to employers and delays in the current stapling and clearing processes. In a ‘payday super’ environment, if these issues continue, the implications for fund members are compounded. This is because the higher frequency may mean that problems are not resolved before the next contributions are required to be made, resulting in a ‘snowball’ effect.

It is therefore vital that existing processing issues are resolved, and that implementation is carefully planned and managed so as not to erode confidence in the superannuation system and compromise the benefits to working Australians of ‘payday super’.