Rest Super Submission: Payday Super – Exposure Draft Consultation

April 2025

Rest welcomes the opportunity to make a submission in response to the exposure draft legislation and other materials supporting the Payday Super planned reforms.

Rest is one of Australia's largest superannuation funds, with around two million members – or around one-in-seven working Australians – and around $93 billion in assets under management[1]. We represent around one million members under the age of 30, who are decades from retirement. Many of our members work in part-time or casual jobs and tend to have lower balances by the time they reach retirement. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

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 super 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.

Therefore, we are pleased to see progress on this reform, and welcome Treasury's continued engagement with superannuation stakeholders to finalise design of the changes and support planning for implementation.

The impact of this change on superannuation contributions infrastructure including employers, funds, payroll providers and transaction intermediaries should not be underestimated however. The transition to Payday Super will need to be carefully planned and managed so as not to adversely affect members, and to provide employers with certainty and support to meet the new expectations.

It is our experience that the significant majority of employers seek to do the right thing and make superannuation contributions on time. We strongly encourage Treasury and the Australian Taxation Office to engage with employers and industry to facilitate a managed transition and provide guidance on implementation.

Our submission builds on our previous submission on Payday Super and addresses some specific issues that we believe should be considered in the finalisation of the legislation, regulations and explanatory materials, and we invite Treasury to contact us to discuss any matter raised.

[1] As at 31 December 2024.

The role of stapling and Payday Super

Payday Super imposes higher expectations on funds to comply with a shorter time frame to allocate or return contributions. Funds' ability to deliver on this increased expectation will be dependent on being able to ensure that contributions are straight-through processed in all possible cases. With the increased growth and complexity of the super system, we believe that the success of Payday Super will be dependent on ensuring that data held by funds is complete, accurate and up to date.

The role of stapling in obtaining correct member data prior to an employer sending contributions is significant. Therefore, we believe that further improvements can be made to the stapling process to ensure that the full benefits of stapling are realised.

We welcome the amendment to the *Superannuation Guarantee (Administration) Act 1992* to allow employers greater flexibility to request details of an employee's stapled fund during the onboarding process for that employee; and the increased time that employers will be granted to investigate and correct a contribution made to a stapled fund that is returned. We also note the work done to date to update the SuperStream Contributions Standard to uplift the error information that funds will return to employers where a contribution cannot be allocated, which will support employers to make amendments to resend contributions when necessary. We believe these measures will support employers in managing the new requirements of Payday Super.

The greatest challenge for employers in meeting the new 7-day contributions payment expectations will be managing the return of contributions from a fund (that is not a stapled fund) that has been unable to accept payment, and then making a new payment within the new timeframes. Employers and their service providers will need to have processes that support a quick turnaround in these circumstances.

We propose that in addition to the proposed flexibility on requesting details of an employee's stapled fund at any time during onboarding, that this be extended to allow employers to use the stapling service to obtain stapled fund details for the employee to quickly make a contributions payment to the stapled fund within the 7-day requirements of Payday Super. This will support an employer's need to meet their obligations and ensure that payment is made to a valid super account, in the event that choice of fund payments are unsuccessful.

We therefore recommend that Section 32R of the *Superannuation Guarantee (Administration) Act 1992* be further amended to allow employers to make a request to the Commissioner to identify a stapled fund for an employee at any time to make a valid contribution and, in particular, where a contribution to an employee's account has been returned.

Advertising during employee onboarding

Rest welcomes the specific inclusion of default funds being able to be presented during the onboarding process in addition to the previously proposed exemption of MySuper products that have met the legislated performance test. Employer default funds play a significant role in options for new employees, often including negotiated fees and a tailored insurance offering that is designed for the employer's workforce. The ability for employers to provide information on a fund that they have partnered with is an important element of the onboarding process.

Rest has concerns about adverse outcomes for members if advertising during the onboarding process continues unregulated and believe that it has the potential to undermine the work done to date to prevent the proliferation of unintended duplicate accounts in the super system. While the draft legislation introduces a planned restriction on the type of fund that can engage in advertising during onboarding, there is still no regulation of how that advertising can be presented, and we believe this results in potential consumer harm.

The onboarding process is a unique moment, where how options are presented, particularly in a digital offering, have a significant influence on choices that members may make. We don't believe the present format of some onboarding platforms supports employees making considered and informed decisions about their super fund and their financial future. The way that options are presented in these platforms can affect selection and potentially be unclear about what the relationships are between the platform, the employer and the funds presented. New employees may make assumptions about the funds presented and not realise an advertised fund is not the employer selected fund. We note that draft Section 992AB amendments to the Corporations Act 2001 (*Treasury Laws Amendment Bill 2025: ban on advertising super funds during onboarding*) contemplate regulations that may be made in relation to advertising at section 992AB(3)(d).

We recommend that regulations be made with respect to presentation of such advertising, including regulations which require an employee's stapled fund, and the relevant default fund, to be presented and for these to be presented with higher prominence and visibility than other advertised funds.

We acknowledge the efficiencies and help that onboarding platforms provide to employers, and don't seek to constrain their use, but we strongly believe that the intent of stapling, and the value of default funds should be maintained in an environment of developing integrated technologies.