# Treasury consultation on Securing Australians' superannuation

## UNISUPER SUBMISSION

## About UniSuper

UniSuper is one of Australia's largest super fuds with more than 620,000 members and around $115 billion in funds under management.  With a heritage of supporting the higher education and research sector, UniSuper opened its doors to all Australians in July 2021.

## Background UniSuper's DBD

UniSuper's Defined Benefit Division (DBD) was established in 1983 as a defined benefit (DB) scheme and was modelled broadly on then contemporary DB schemes in the Australian public sector and overseas peer funds. The benefit design from its outset offered full portability of benefits across all participating employers and coverage of all permanent employees in the sector, including general, academic and professional staff.

The multi-employer nature of UniSuper led to some important distinguishing features from its commencement, in particular:

- a fixed contribution rate of 14% of salary p.a. for employers and 7% of salary p.a. for contributing members
- by covering the whole university sector, members can maintain defined benefit membership when transferring between employers within the sector
- members can defer their benefits (so maintain membership) through periods when not employed in the university sector
- a formula-based benefit related to member's salary, tenure and employment experience

The DBD remains funded by a 14% employer contribution and 7% default member contribution (which members can reduce with appropriate benefit adjustments). Many members also receive an additional 3% "award" contribution paid into an associated accumulation account, making a total employer contribution of 17%.

We also manage two defined contribution, accumulation-style accounts. Accumulation 1 is for members who are not entitled to DBD membership and Accumulation 2 is based on the same 14%/17% employer contributions paid by participating employers for those who opt out of DBD membership.

Since November 2021, new employees eligible for defined benefit membership and no longer defaulted into the DBD, instead if they choose UniSuper or are defaulted, they are enrolled in our Accumulation 1 account and have 24 months to join the DBD.

# Key observations

**The majority of our active members get superannuation paid more frequently than quarterly, either fortnightly or monthly linked to pay cycles on a “due date” model**

- Legislative change to increase the frequency of SG payments is welcome but care needs to be taken to disturb as little as possible those existing processes that already deliver effective pay day super to members

**Defined benefit administration requires careful consideration**

- Existing DB members moving between employers will require careful consideration. The processes that support this has been developed by funds, employers and employee representatives over many years
- DB administration already requires careful matching of employer contributions to benefit promises and further consultation should take place with DB schemes to ensure that the supporting framework is minimally disturbed – if it at all – by this policy

**New employees should be able to actively choose a fund, including choosing a default fund, during onboarding**

- We support the ongoing ability for new employees to actively choose UniSuper during the onboarding process with their employer. UniSuper is a highly awarded fund with a strong performance record, including against APRA’s performance test.
- APRA’s performance test result, however, should be used to protect members from underperforming products during on-boarding
- The ability to choose a fund, including the ability to choose a performing default fund, is key to driving member engagement.
- If a member doesn't have the ability - or knowledge of the ability - to choose the default fund, they may miss out on the ability to access important insurance benefits under automatic acceptance with no-underwriting provision

**ATO stapling service should be improved but an ATO digital service should not be mandated**

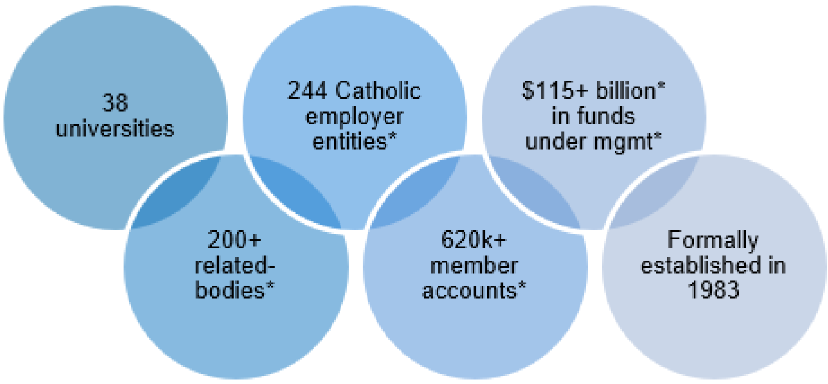
- We support improvements to the ATO stapling service to make it simpler and more seamless for employers
- Mandatory use of an ATO digital solution, however, will not work for defined benefit members and we do not support the mandatory use of an ATO digital tool at the expense of fund-built onboarding processes via our own Digital Choice Form
- Not only do we believe this is impractical for the complexity of DB funds, it also reduces the connection between employer and superfund that is key to getting enhancing member engagement and financial literacy through the workplace as a channel.

# UniSuper's experience of supporting frequent employer contributions

**UniSuper's commitment to member outcomes means we also need to support employers**

UniSuper is member-first super fund with strong performance and lower fees. We're one of Australia's largest super funds, with:

- 620,000+ member accounts*
- $115+ billion in funds under management*
- covering 38 universities, 200+ related bodies, and 244 Catholic employer entities*
- open to eligible members outside the higher education and research sectors




*As of 6 June 2023

A large number of these employers pay superannuation more frequently than required under the SG framework, with many already making payments linked to pay cycles on a "due date" model.  UniSuper acknowledges that some of our members do work for (and have contributions made by) employers that do not fall under our "due date" model requirements (for example, employers who do not participate with UniSuper).

To support employer superannuation obligations, UniSuper has developed tailored, strong and trusted relationships with our employers. We have dedicated staff in Employer Services, Employer Improvements and Business Enablement. These staff facilitate training, support, and case management; and work collaboratively with employers to provide greater retirement outcomes for our members.

There is day-to-day operational support and relationship management to superannuation/payroll teams in universities and related bodies. Some of the services the team provide include:

- systems training and support (including file testing)
- product and administration training and support
- complex case management
- process reviews
- management and escalation of employer feedback

Supporting employers to meet their obligations ensures frequent contributions and accurate data to ensure that contributions are allocated to member accounts more promptly. It also allows for ongoing access to workplaces to deliver superannuation related educational materials.

## General comments

UniSuper agrees that a policy of increasing the frequency of superannuation guarantee (SG) contributions will be of benefit to many Australians. It will give employees greater visibility over their SG contributions as well as additional earnings from compounding returns.

UniSuper supports a “due date” model linked to pay cycles and already administers such a model for participating employers and the bulk of our members. The majority of our active members get superannuation paid more frequently than quarterly, either fortnightly or monthly linked to pay cycles on a “due date” model.

Over the years, we have developed process and invested in systems to manage, not only regular and frequent payment of employer contributions, but also to manage above SG contributions (typically 17% employer support) as well as member voluntary contributions.

We see the benefits of increased frequency of SG payments will flow, therefore, to those currently wholly reliant on SG safety net provision. As a result, we would expect any policy and law drafted to be designed to ensure minimal disruption to existing processes which work well for our members and for participating employers.

## Choice, stapling and default

In recent years, there has been significant change to the way new employees join superannuation funds, with choice of fund being extended to those covered by new enterprise agreements and the Your Future Your Super stapling policy.

To support and simplify the choice of fund and stapling processes for new employees and their employers, UniSuper has created an easy to use, digital choice form.

Our digital choice form is used by employers which we provide to employers as a unique link which they can include in employee onboarding materials. All new employees need to do is open the link and complete the form to quickly and easily elect their nominated super fund.

The use of the digital choice form is also essential for participating employers who need to identify existing defined benefit members when changing jobs. The ATO does not hold “product” level of information. The benefits of using a digital choice form are recognised by inclusion in enterprise agreements across the higher education and research sectors.

We also support the ongoing ability for new employees to actively choose UniSuper during the onboarding process with their employer. Where a new employee does not wish to actively choose UniSuper, the process for an employer when interacting with the ATO stapling service needs to be as easy and seamless as possible. Therefore, we encourage further investment in ATO systems to make sure the service works well for on-boarding multiple staff at once.

We do not, however, support mandatory use of an ATO digital tool.

A mandatory ATO digital form would not be practicable for DB funds because DB-participating employers need to know who is an existing DB member when they move between participating employers. The ATO does not hold product level detail and would not have complete records of taxpayers’ DB histories. Only DB funds have this information.

Mandating an ATO digital service would also make the ATO is responsible for resolving employer super fund onboarding questions. We would be concerned that could also reduce the strength of the connection between employers and super funds. Super funds (particularly an employer's default super fund) are a key channel for engaging and educating Australians about their superannuation. Employers and unions have played a significant role in collaboration with super funds in engaging members through workplace and this improves awareness and access to advice and education which benefits members.

## Defined benefit schemes require specialist administration and additional data

UniSuper administers an open defined benefit (DB) scheme for around 80,000 members. Defined benefit administration requires careful consideration as there are additional data requirements to allocate contributions to members, including salary, service fraction data, part-time/full-time hours &c.

Most, if not all, DB schemes pre-date the SG framework and already adequately match employer obligations to benefit promises and should be minimally disturbed – if at all – by policy changes to the SG framework which is largely based on defined contribution (DC) super

Again, the frequency of employer contributions to UniSuper's Defined Benefit Division (DBD) rely on a "due date" model linked to pay cycles and we would advise caution when drafting a new framework to the SG framework so as to not interrupt what is working well and already in line the intended policy.

## Specific questions

| QUESTION | RESPONSE |
|---|---|
| 4. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if the employee's superannuation fund has received employer contributions a certain number of days after payday (i.e. the due date model)? | Due date is our preferred model to give a better alignment between 'payment' and ' data' and allows more efficient and effective allocation of contributions to member accounts<br><br>We already operate a due date model for universities and related bodies as required under our Trust Deed requirement of within 7 days of the deduction (under Clause 32.2)<br><br>We support a due date model with a standard number of days post the payroll cycle.<br><br>This will be easier to develop clear and consistent messaging across diverse employer groups to maximise compliance. 14 days gives sufficient time for employers whose finance processes require multilayered signoff to comply and go through various clearing house timelines, while also ensuring that superannuation is remitted into employee super accounts in a timely manner |
| 8. Given reduced payment processing times facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe? | Much would depend on the timing and sequencing of 'payment' and 'data' and the expectations on super funds in 'allocating' funds to members' accounts (i.e. we may receive the payment in 3 days, but if the data takes 7-10 days then funds are unable to allocation until much later after the payment has been made). |
| 17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time? | The ATO should explore a variety of nudges, using single touch payroll as the key monitoring mechanism |

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| 36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday super model? Should such a service be mandated? | We support improvements to the ATO stapling service to make it simpler and more seamless for employers<br><br>Mandatory use of an ATO digital, however, will not work for defined benefit members and we do not support the mandatory use of an ATO digital tool at the expense of fund-built onboarding processes |
| 38 What are the costs and benefits of a ban on advertising super products during onboarding | Clarification is required on the definition of advertising. If a ban were introduced, there would need to be a clear distinction between advertising and the provision of information about default and stapled products.<br><br>Allowable advertising could be restricted to exclude advertising that promotes funds which are neither the employee's (stapled fund) or the employer's (nominated default fund) existing fund<br><br>We do not, however, support a ban that prohibits building integrated solutions with HR and payroll providers to display the stapled and nominated default funds during onboarding<br><br>Any changes to rules regarding advertising should not reduce the ability of employers, funds and unions to provide information to individuals about their employer's default fund<br><br>Employers (and by extension payroll/HR providers) need to be able to provide clear information about stapled and nominated default options during onboarding because there are important product and features eligibility that will be impacted by this upfront choice. Reducing accessibility of that information (at the most salient time and place) reduces the ability for an employee to make an informed choice and may prevent their ability to access eligibility to a defined benefit and the option to access insurance. |
| 45. Are there any other changes that will be required for defined benefit members? | Yes, there are significant challenges applying the SG framework to DB schemes, most of which predate SG.<br><br>Existing DB members moving between employers will require also careful consideration. The processes that support this has been developed by funds, employers and employee representatives over many years<br><br>DB administration already requires careful matching of employer contributions to benefit promises and further consultation should take place with DB schemes to ensure that the supporting framework is minimally disturbed – if it at all – by this policy<br><br>Further consultation on DB-specific issues will be required |