

3/11/2023

Lynn Kelly
First Assistant Secretary, Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email to paydaysuper@treasury.gov.au

Dear Lynn,

AustralianSuper submission to Securing Australians' Superannuation Consultation Paper

AustralianSuper welcomes the opportunity to provide a written submission in relation to Treasury's Securing Australians' Superannuation Consultation Paper.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. AustralianSuper has over 3.2 million members and manages over \$300 billion of members' assets. Our vision is to be Australia's leading superannuation fund, in the world's best system for members.

AustralianSuper strongly supports the Government's commitment to implementing payday super. Superannuation represents wages of workers, deferred and preserved so that they can enjoy a better standard of living in retirement. Together with the inclusion of superannuation in the National Employment Standards, this represents a strong reform to ensure workers are paid their superannuation entitlements on time and in full.

This reform will significantly reduce the opportunity for, and allow better detection of, non-payment of super. Unpaid super causes the double harm of members missing out on compounding returns. When super is paid earlier and more frequently, members gain additional returns, allowing them to live better in retirement. The proposed reforms will particularly benefit younger workers, women and those in lower paid, casual or insecure work.

Responses to questions from the consultation paper are provided in the **Attachment**.

We would be pleased to provide additional information or to discuss this submission in further detail. If that would be of assistance, please do not hesitate to contact me or Nick Coates, Head of Government Relations and Public Policy (ncoates@australiansuper.com).

Regards



Paula Benson AM

Chief Officer, Strategy & Corporate Affairs

Attachment: Responses to Questions

Defining payday super

1. What implementation issues could arise if 'payday' is defined as being each time a payment is made to an employee with an OTE component?

In addition to increasing the number of payday and payment events, if an employer is making any OTE payments to employees outside a regular pay cycle, they would also be required to submit superannuation on OTE payments. Consideration would need to be given to how this outcome would be facilitated administratively. The administrative impacts would vary depending on the nature and size of an employer and on the employer's payroll arrangements (e.g. fully automated, file upload, data entry, etc.).

2. What implementation issues could arise when more regular SG payments are mandated?

The key implementation issues that could arise include employers not having the required systems to increase the frequency of super contributions on top of their current payroll processes.

An increase in the number of payments leads to an increased risk in administrative or processing errors. This reflects the importance of the ATO, payroll providers and digital service providers being sufficiently prepared prior to implementation date. This also reflects the importance of ensuring employers are aware of their new payment obligations.

Updating the SG charge

6. Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?

It would be more advantageous for additional reporting requirements to utilise existing processes (e.g. single touch payroll reporting).

7. How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?

Depending on the charging model of the intermediary, they may receive increased revenue due to contributions being processed more frequently.

As revenue can be made off the interest from contributions as they pass through intermediaries, requirements may need to be put in place. For example, maximum time limits to process funds when data and money match.

9. What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds?

There would be less time for clearing houses and other financial intermediaries to reconcile data and resolve other issues, potentially requiring increased resources or investment in technology. Nonetheless, this should not be an impediment to reducing processing times, given the importance of these payments to employees' retirement outcomes.

10. Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?

It is important to the success of these reforms that financial intermediaries support the meeting of the new payment timeframe. In the first instance, Government should consult with financial intermediaries.

11. How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?

It is important that the model settled on provides scope and incentive for the industry to innovate with regard to payment and data platforms.

An important part of this is to ensure the right balance is struck between mandating processes and providing choice (e.g. onboarding solutions, payment methods used, clearing house / payroll solutions).

12. What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?

Different payment methods can have different reconciliation timeframes, which then impacts the time for payment to be received by superannuation funds. For example, if only one payment platform was allowed, this would ensure consistency but reduce flexibility for employers.

Compliance mechanisms

17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?

It is appropriate that the ATO, as administrator of the regime, be responsible for designing and developing a campaign to inform employers about their new obligations.

Communications from superannuation funds, the ATO and payroll providers, will further assist with ensuring employers are aware of their obligations under the proposed regime.

33. What are the challenges in correcting SG payments under a payday model? Is this an efficient way for employers to make corrections? Should error messages be standardised across funds?

Standardising error messages across funds would be a welcome reform.

The method of and timeframes for making corrections can vary based on the fund and the employer's relationship with that fund. Correcting SG payments may prove more complex and increase the administrative burden for employers with more frequent payments, so standardisation would help negate this.

Allowing corrections to be submitted separately to contributions through a SuperStream-compliant method would make this process easier and standardising error messages across funds would provide welcome clarity for employers.

34. Is the 20 business day time period for superannuation funds to resolve errors appropriate in a payday super model?

In the light of the requirement for contributions to be submitted more frequently by employers, consideration could be given to reducing the 20 business day time period.

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?

The ATO should provide the ability for a stapled super fund to be easily selected by an employee if they choose.

Ensuring the ATO can provide the required information for an employer to submit contributions on behalf of an employee could be achieved through either an API that connects to an onboarding solution or a web interface that can be accessed separately by employers. Stapled super fund details should be provided back as close to real time as possible so the employer is able to meet their obligations. Employers should have choice as to what onboarding solution suits their needs rather than a mandated ATO solution.

37. What are the costs and benefits of requiring employers to offer stapling to employees? Are there other changes that could be made to the choice of fund process? Could a digital ATO service reduce the administrative burden associated with stapling?

A key issue with stapling and choice of fund processes is that some payroll systems rely on using the ATO Choice form. Where an employee makes a choice of fund, this removes the need for employers to request information from the ATO regarding an employee's stapled fund.

An alignment of the MySuper and Choice forms is required so that the stapled fund, employer default fund, and Choice products can be offered side by side.

Stapling has been incredibly beneficial for members' retirement outcomes because it reduces the potential of an individual holding multiple accounts.

A key reform that should be considered is that, in circumstances where an employee selects another fund, there should be a clear option for them to be able to consolidate their existing funds to their new selection.

Offering the stapled fund will reduce instances of members having multiple accounts and could be actioned simply and easily as part of this reform process.

Any model chosen should ensure that information regarding the employer's default fund is provided to employees so that they have the ability to compare options and make an informed choice.

38. What are the costs and benefits of a ban on advertising super products during onboarding?

As above, Choice and MySuper onboarding forms should be aligned so that the employee has the ability to select their stapled fund or their employer's default fund.

To this end, as part of the onboarding process, there is a need for employers to display and provide information regarding their default fund. This can currently be avoided where the Choice onboarding form is used.

Other payday super issues

39. How could a smooth transition be managed to aligning STP, SuperStream, MAAS and MATS reporting, either through changing the reporting requirements to year-to-date values or transaction-based reports?

Governments should engage collectively with payroll providers, digital service providers and superannuation funds, with a clear indication of what fields would need to be standardised. This would inform how feasible and smooth a transition could be and what time frames would be required.

40. How could a smooth transition be managed if additional fields in reporting are made mandatory?

It is important to provide sufficient time frames for payroll providers and digital service providers to make the required changes.

Similar to the implementation of Single Touch Payroll 1 and Single Touch Payroll 2, staggering the required adoption date based on size with the ability to get extensions if needed would provide flexibility. To be clear, given the lead time and warning, this should not be allowed to impact the announced 1 July 2026 implementation date for payday super.

If additional fields in reporting were made mandatory it would be useful to mandate the following fields:

- **Working status** (e.g. full time, part time, casual) – providing this information would enable funds to better engage with members and provide more relevant information and products to them.
- **Annual salary** – this data point would assist with providing financial advice to members and to better tailor insurance for members.
- **Phone number or email** – these data points are mandatory if the employer has them on file but are often not provided. If these data fields were mandatory they would allow better engagement from the fund with members.
- **Occupation type** – this may prove a more difficult data point to provide, but it could provide the opportunity for funds to better tailor insurance for their members. Using ANZSCO codes as opposed to free-text would be ideal but it may prove difficult for some employers to provide this information.

41. Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions?

We suggest that an employer's ABN may already provide this unique identifier. In terms of matching data from the same pay cycle, pay period start and end-dates could be used.

42. Are there any issues or consequences with including an employer's SG liability and OTE as a mandatory, rather than optional field in STP reporting?

There would be feasible, provided employers are able to extract the information from their payroll system.

43. What is the best mechanism to avoid disadvantaging employees who would reach the concessional contributions cap in 2026-27 due to the accounting of SG contributions in the year the policy commences?

One option would be increasing the concessional contributions cap for FY 2026-27.

An alternative option would be to extend the Commissioner's ability to provide discretionary relief to allow for caps to be exceeded where this is attributable to the change to the new regime.

44. On what period should the maximum superannuation contribution base be calculated in a payday super model? Would there be issues if it remained a quarterly calculation? Are there any other mechanisms that could help prevent employers paying over the concessional contributions cap for employees?

To align with the aspiration for the superannuation system to be simplified and scalable, we consider that the Maximum Superannuation Contribution Base (MSCB) should remain calculated on a quarterly basis.

49. What further changes would be required under the current rules to allow employers to meet payday super requirements?

Government should consider mandating the digitisation of superannuation fund onboarding as a means to streamline the process and increase efficiency. This should assist with reducing timeframes for contributions to be received in member accounts.

Conclusion

The consultation paper contemplates the considerable administrative change that will be required to deliver the payday super reforms by 1 July 2026. Changes to administrative systems and processes should be designed to ensure that these reforms can be delivered in an efficient and streamlined way. The final administrative design must uphold the principle that underpins these reforms: that all workers must be paid their superannuation entitlements on time and in full.