

29 September 2017

Mr Alan Raine
Acting Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Mr Raine

RE: Inquiry into the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017

BT Financial Group (BTFG) welcomes the opportunity to provide feedback on the provisions of the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017* (the Bill).

Extending superannuation choice to enterprise agreements and workplace determinations

We believe extending superannuation choice to individuals subject to an enterprise agreement or workplace determination is a reform that is long overdue.

As the superannuation system has matured, increasingly more Australians have become actively engaged in their own superannuation. There is no clearer demonstration of this trend than the take-up of Self-Managed Superannuation Funds (SMSFs). As at March 2017, over 1.1 million Australians now manage their own affairs directly via an SMSF.

Historically, there was an argument that employers preferred to deal with a single superannuation fund and this preference for simplicity should override employees' personal preferences. However, the full implementation of the SuperStream reforms means this argument no longer applies. All superannuation funds have now invested in a standardised, government-endorsed method to allow employers to efficiently make superannuation contributions electronically.

BTFG supports in principle the proposal in Schedule 1 of the Bill, which will require employers to provide a standard choice form to new employees that commence employment with the employer where a workplace determination or enterprise agreement is made on or after 1 July 2018 (Option 2). However, we are concerned that the grandfathering of existing employees currently employed under a workplace determination or enterprise agreement is open ended, and believe that choice of fund should be also given to all existing employees from 1 July 2018 (i.e. under Option 3).

We note that Option 3 will result in a greater initial cost to employers as a result of having to provide standard choice forms to all existing employees who currently face restricted choice (not just to new employees). However, we believe it is inappropriate for individuals to be denied the right to choose as a result of the past actions of their employer, their union or even their fellow employees. In our view, the increased initial cost to employers is warranted, particularly given the benefit that will be afforded to all employees from having the current choice of fund restrictions removed.

BTFG recommendation:

BTFG recommends that Schedule 1 of the Bill be amended to ensure all new and existing employees (regardless of a historical enterprise agreement or workplace determination) be given the ability to choose their own superannuation fund from 1 July 2018 (Option 3).

Closing the SG/salary sacrifice loophole

BTFG supports the Government's decision to close a legal 'loophole' used by some employers who use employees' salary sacrifice contributions to help satisfy their SG obligations.

In particular, we support the changes to the legislation to apply for SG quarters beginning on or after 1 July 2018 that will:

- prevent contributions made as part of salary sacrifice arrangements from satisfying an employer's SG obligations; and
- specifically include amounts salary sacrificed to superannuation in the base for calculating an employer's SG obligations.

We believe these changes will enhance the integrity of the superannuation system and improve the confidence that Australians have in the system, by ensuring they are paid their full entitlements (whether they are wages or superannuation), and that there is consistency across the entire system.

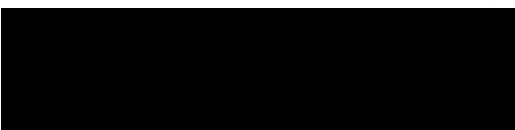
BTFG recommendation:

BTFG recommends that Schedule 2 of the Bill be introduced without amendments.

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We would be pleased to discuss any element of our submission with the Committee.

Yours sincerely



Melinda Howes
General Manager, Superannuation
BT Financial Group