Chapter 1

Introduction

Referral of the Bills

1.1 On 3 November 2011, the House of Representatives referred the Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011 (the MySuper Core Provisions Bill) to the committee for inquiry and report. The committee initially resolved to report by 21 March 2012. The reporting date was subsequently brought forward to 13 March 2012. With changes to the membership of the committee and the appointment of a new Chair, the tabling date was extended to Monday 19 March 2012.

1.2 On 29 February 2012, the Senate referred the Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Bill 2012 (the Trustee Obligations and Prudential Standards Bill) to the committee for inquiry and report by 13 March 2012. As with the MySuper Core Provisions Bill, the tabling date was extended to Monday 19 March 2012.

Conduct of inquiry

1.3 The committee advertised the inquiry into the MySuper Core Provisions Bill in *The Australian* newspaper. Details of the inquiry, the MySuper Core Provisions Bill and associated documents were also made available on the committee's website. The committee received 18 submissions regarding the MySuper Core Provisions Bill, as listed in Appendix 1. A public hearing was held on 2 March 2012, at Parliament House, Canberra. A list of witnesses who gave evidence at the hearing is at Appendix 2, as is a list of answers to questions on notice.

1.4 The committee notes that the referral of the Trustee Obligations and Prudential Standards Bill allocated ten working days for the committee to conduct the inquiry and report. Consequently, the committee was unable to dedicate a hearing to this Bill. Witnesses at the hearing on 2 March were, however, invited to comment on the provisions in the Bill. Details of the inquiry into the Trustee Obligations and Prudential Standards Bill were placed on the committee's website. The committee received 11 submissions regarding the Trustee Obligations and Prudential Standards Bill, as listed in Appendix 1.

Committee view

1.5 The limited period of time given for the inquiry into the Trustee Obligations and Prudential Standards Bill necessarily restricted the evidence presented. Accordingly, comments in relation to the Trustee Obligations and Prudential Standards Bill focus on broad issues.

Acknowledgements

1.6 The committee thanks the organisations and individuals who made submissions to the inquiry, and those who gave evidence at the public hearing.

1.7 The committee particularly notes the response received from the Consumers' Federation of Australia (the CFA) to the committee's invitation to participate in the MySuper inquiry. Through advocating for the interests of consumers, the CFA has significantly contributed to the development of policies that promote the confident and informed participation of consumers within Australia's financial markets. The committee encourages the CFA to continue contributing to parliamentary inquiries, while drawing to the Government's attention the need to ensure that consumer advocacy and legal assistance agencies are appropriately resourced.

Notes on references

1.8 References to submissions are to individual submissions as received by the committee, not to a bound volume. References to the *Committee Hansard* are to the proof *Hansard* transcripts available on the parliamentary website. Please note that page numbers may vary between the proof and official *Hansard*.

Background

1.9 The MySuper Core Provisions Bill and the Trustee Obligations and Prudential Standards Bill are part of the Australian Government's Stronger Super reform package announced in December 2010. The reforms stem from the 2010 Super System Review, which assessed 'the governance, efficiency, structure and operation of Australia's superannuation system, including both compulsory and voluntary aspects'.[1] Commissioned by the government in May 2009[2], the review panel, lead by Mr Jeremy Cooper, was tasked with developing options to improve the regulation of the superannuation system, to promote the best interests of members and maximise retirement incomes for Australians while reducing business costs.[3] On 30 June 2010, the panel presented 177 recommendations intended to 'enhance Australia's world class

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1 Australian Government, *Terms of reference – Super System Review*, http://www.supersystemreview.gov.au/content/terms_of_reference.aspx (accessed 27 February 2012).

2 Senator the Hon Nick Sherry, Former Minister for Superannuation and Corporate Law, 'Expert Panel and Terms of Reference for Review into the Governance, Efficiency and Structure and Operation of Australia's Superannuation System', Media release 066, 29 May 2009.

3 Australian Government, *Terms of reference – Super System Review*, http://www.supersystemreview.gov.au/content/terms_of_reference.aspx (accessed 27 February 2012).

retirement savings system'.[4] Of these, the government accepted, or supported in principle, 139.[5]

1.10 Broadly, the Stronger Super reforms can be divided into four categories:

- *Governance, integrity and other regulatory settings*: consideration of options to strengthen trustee obligations to manage assets prudentially and in the best interests of all members.[6]
- *Self-managed superannuation funds*: reforms to the sector to ensure that there is appropriate regulatory oversight, that fund investments are consistent with the purpose of superannuation and to curb fraudulent activity.[7]
- *SuperStream*: measures to enhance the 'back office' of superannuation.[8]
- *MySuper*: a reconfiguration of the current superannuation framework to replace existing default superannuation products with 'a new low cost and simple superannuation product'.[9]

MySuper reforms

1.11 The MySuper Core Provisions Bill would amend the Superannuation Guarantee (Administration) Act 1992 and the Superannuation Industry (Supervision) Act 1993 to introduce a new regulatory framework for default superannuation products. The existing framework derives from recommendations of the 1997 Financial System inquiry (the Wallis report), which concluded that 'choice should be maximised in superannuation'.[10] As summarised by the Australian Government over a decade after the report's release, the Wallis report 'argued that superannuation members could generally be treated as rational and informed investors able to make their own decisions about their superannuation'.[11] The Wallis report accordingly recommended:

> Superannuation fund members should have greater choice of fund. Employees should be provided with choice of fund, subject to any constraints necessary to address concerns about administrative costs and fund liquidity. Where superannuation benefits vest in a member, that

4 Jeremy Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages*, 30 June 2010, p. iii.

5 Australian Government, *Stronger Super – Government response*, 16 December 2010, p. 3.

6 Australian Government, *Stronger Super – Government response*, pp 13 – 14.

7 Australian Government, *Stronger Super – Government response*, p. 11.

8 Australian Government, *Stronger Super – Government response*, p. 8.

9 Australian Government, *Stronger Super – Government response*, p. 5.

10 Stan Wallis, *Financial System Inquiry Report*, March 1997, *Overview and recommendations*, p. 27.

11 Australian Government, *Stronger Super*, 2010, p. 3.

> member should have the right to transfer the amounts to any complying fund. Where a member chooses to exercise that right, payments should be transferred to the chosen fund as soon as practicable, subject to controls necessary to maintain orderly management for the benefit of all fund members.[12]

1.12 However, the assumptions underlying the Wallis report, and therefore Australia's current superannuation system, can be challenged by the findings of the Super System Review. The review cast doubt on the theory that superannuation members are 'fully informed' investors and capable of independently navigating the superannuation system. Contrary to the predictions of the Wallis report, the review panel concluded that there are low levels of financial literacy regarding the superannuation sector[13] and disengagement with superannuation investments by the majority of Australians.[14] The review further found that members who do not actively choose their superannuation product or seek superannuation-related services 'are not adequately protected and can find themselves paying for services that they do not need or request and, on some occasions, that they do not receive'.[15]

1.13 The review compartmentalised Australian superannuation members into three categories, namely, members that actively choose the funds in which to allocated their superannuation payments, members that do not choose but are referred to a default fund appointed under the terms of their employment contract, and members who self-manage, that is, who self-administer, their personal superannuation fund.[16] The review therefore concluded that 'a compulsory system needs to be able to cater for these different degrees of engagement'.[17]

1.14 To appropriately recognise the varying degrees of member engagement, the panel recommended that the architecture of the superannuation industry be re-cast, moving from an industry-orientated to a member-orientated perspective.[18] As Figure 1.1 depicts, the MySuper scheme is a core feature of a 'choice architecture' approach to superannuation regulation.

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12 Recommendation 88, Wallis, *Financial System Inquiry Report*, p. 31.

13 Cooper et al, *Super System Review: Final Report: Part one – Overview and recommendations*, p. 9.

14 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, p. 7.

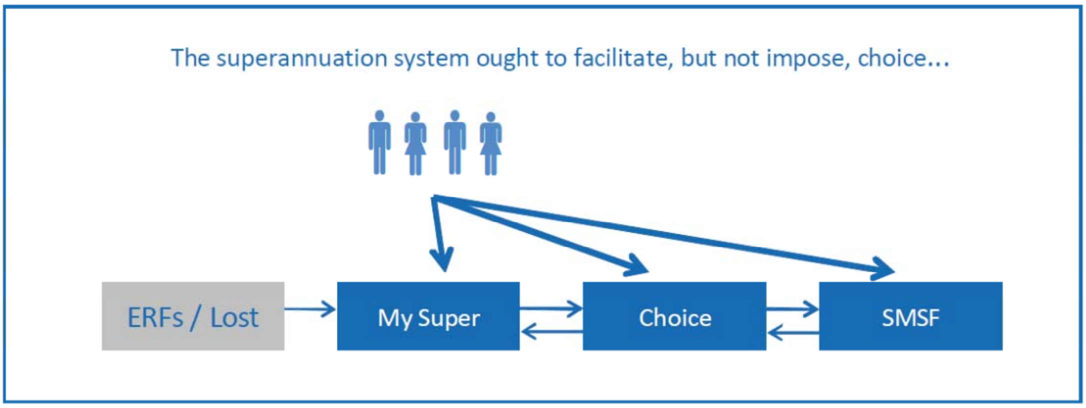
15 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, p. 5.

16 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one* p. 7.

17 Cooper et al, *Super System Review: Final Report: Part one – Overview and recommendations*, p. 9.

18 Cooper et al, *Super System Review: Final Report: Part one – Overview and recommendations*, p. 10.

Figure 1.1: 'Choice architecture' model[19]



1.15 As the review panel envisioned, the MySuper scheme would have the following key elements.[20]

- Members of MySuper funds 'would defer to the trustee generally in relation to all aspects of their superannuation'.
- Only MySuper products could be listed as the default fund for the purposes of awards and other industrial agreements. Employers would be restricted to nominating MySuper products as the default superannuation vehicle.
- All sectors of the superannuation industry could offer a MySuper product, providing certain pre-conditions are met. Pre-conditions would include:
    - MySuper trustees to be bound by 'high level, principles-based duties';
    - Trustees must obtain a licence from the Australian Prudential Regulation Authority (APRA) prior to offering MySuper products;
    - Trustees must develop and implement 'a single, diversified investment strategy for the MySuper product';
    - No direct or indirect cross–substitution of costs between MySuper products and choice products; and
    - Explicit fee schedules and discounts, which would not be subject to negotiation or rebates.

Governance, integrity and other regulatory settings—trustee duties

1.16 The review panel also recommended an overhaul of the trustee governance framework. The panel concluded that the framework is susceptible to areas of potentially significant weakness:

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19 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, p. 6.

20 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, pp 10 – 35.

> [t]rustee governance structures have not kept up with developments in the industry. There have also been difficulties for trustees and their trustee-directors in understanding what is expected of them and, as the industry consolidates, conflicts of interest and conflicts of duty arise regularly.[21]

1.17 Accordingly, the panel submitted that '[t]urning the governance spotlight on trustees' own operations is...critical to the long-term sustainability of the superannuation system'.[22] The panel therefore recommended changes to the structure of trustee boards,[23] that the trustee obligations currently found across various legislative instruments be consolidated in the Superannuation Industry (Supervision) Act,[24] and that these obligations 'demand a higher level of governance in respect of super fund members than the level required for shareholders in major listed companies'.[25]

1.18 In framing the recommendations, the panel noted the operation of the existing trustee duties under paragraph 52(2)(c) of the Superannuation Industry (Supervision) Act. Paragraph 52(2)(c) requires trustees to perform and exercise their powers and duties in the best interests of beneficiaries, that is, in the best interests of fund members. The panel agreed with concerns that there is 'considerable uncertainty' about the conduct expected of trustees under this best interest test, and therefore concluded that the Act:

> ...would benefit from a clearer articulation of what appears to be two important elements of that duty: the requirement that trustees place member interests ahead of the interests of all others, and the requirement that trustees should actively endeavour to achieve the best outcome for members and not to be content to accept merely an adequate, reasonable or peer-comparable outcome.[26]

1.19 The panel therefore recommended that trustee duties should include:

- to act solely for the benefit of members, including and in particular:

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21 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter two*, p. 43.

22 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter two*, p. 44.

23 Cooper et al, *Super System Review: Final Report: Part one – Overview and recommendations*, p. 12.

24 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter two*, p. 47.

25 Cooper et al, *Super System Review: Final Report: Part one – Overview and recommendations*, p. 12.

26 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter two*, p. 47.

  - to avoid putting themselves in a position where their interests conflict with members' interests;
  - to give priority to the duty to members when that duty conflicts with the trustee-director's duty to the trustee company, its shareholders or any other person;
  - to avoid putting themselves in a position where their duty to any other person (such as another super fund or a service provider) conflicts with their duty to members;
  - to avoid putting themselves in a position where their duty to any other person (other than members) conflicts with their duty to the trustee company;
  - not to obtain any unauthorised benefit from the position of trustee or trustee-director; and
  - not to enter into any contract, or do anything else, that would prevent the trustee from, or hinder the trustee in, properly performing or exercising the trustee's functions and powers;
- to act honestly;
- to exercise independent judgment;
- to exercise the degree of care, skill and diligence as an ordinary prudent person of business would exercise in dealing with the property of another for whom the person felt morally bound to provide; and
- to have specific regard to (among other matters) the likely long term consequences of any decision, including the impact of the decision on the community and the environment and on the entity's reputation for high standards of conduct.[27]

1.20 The review panel also recommended that in addition to these strengthened obligations, additional 'high-level, principles-based' duties would apply to trustees of MySuper products. Accordingly, the panel recommended that the Superannuation Industry (Supervision) Act be amended to require MySuper trustees to:

- formulate and give effect to a single, diversified investment strategy at an overall cost aimed at optimising fund members' financial best interests, as reflected in the net investment return over the long term; and

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27 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter two*, Recommendation 2.1; p. 48.

- actively examine and conclude whether, on an annual basis, its MySuper product has sufficient scale on its own (with respect to both assets and number of members) to continue providing optimal benefits to members.[28]

1.21 As envisioned by the review panel, fulfilling the obligation regarding sufficient scale would require a trustee to 'demonstrate to APRA that the product had sufficient scale or, if a new entrant, there was a creditable path to building the necessary scale'. Furthermore, 'on an annual basis, a trustee would have to ask itself and determine whether it would continue to have sufficient scale...to deliver optimal benefits to members'.[29]

Government response

1.22 The government supported, or supported in principle, all bar four of the 28 recommendations relating to MySuper. Notably, the government did not support the recommendation to prevent cross-substitution of costs between MySuper and choice products. Rather, the government responded that 'trustees will be required to make a fair and reasonable allocation of costs between MySuper and other products'.[30] The Explanatory Memorandum to the MySuper Core Provisions Bill outlines the government's vision for the MySuper model:

> First, MySuper will lift the standards that apply to default superannuation funds. RSE (registrable superannuation entity) licensees will have a heightened obligation to act in the best financial interests of members that accept the default option. RSE licensees will also need to actively consider whether their MySuper product has access to sufficient scale to provide net returns that are in the best financial interests of members...Importantly, MySuper products will not allow commissions to be paid from the product.
>
> Second, MySuper will simplify and standardise the default superannuation product available to Australians...
>
> MySuper products will also have common characteristics meaning that they will be able to be compared based on a few key differences–cost, investment performance and the level of insurance coverage...[31]

1.23 Specifically, in response to the Super System Review the government announced that the MySuper scheme will incorporate the following features:

- a single investment strategy per MySuper product;

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28 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, Recommendation 1.6, p. 14.

29 Cooper et al, *Super System Review: Final Report*; *Part two – Recommendation packages, Chapter one*, p. 13.

30 Australian Government, *Stronger Super*, p. 17.

31 Explanatory Memorandum, Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011, paragraphs 1.9–1.11.

- funds may provide more than one brand of MySuper product, subject to APRA approval;
- trustees may use a lifecycle investment option as the single investment strategy for the MySuper product. (Lifecycle investment allows the trustee to automatically move members to other investment options based on the members' age, and to stream gains and losses between members based on members' age);
- subject to trustees being able to obtain opt-out cover at a reasonable cost, members may opt-out of life and total and permanent disability (TPD) insurance within 90 days of joining the fund. Members may increase or decrease their insurance cover; and
- trustees will not be required to hold a specific MySuper licence but will be required to apply to APRA for authorisation for each MySuper product offered.[32]

1.24 The government also announced that a standard set of available fees will apply across all MySuper products. It is proposed that the available fees for MySuper products will be limited to:

- administration fees, which may, at the trustee's discretion, be reduced for employers with over 500 employees;
- investment fees, including performance-based fees subject to limitations;
- buy and sell spreads limited to cost recovery;
- exit fees limited to cost recovery;
- switching fees limited to cost recovery; and
- fees for certain-member specific costs, such as account splitting pursuant to orders under the *Family Law Act 1975*.[33]

1.25 The government also agreed to strengthen trustee obligations, announcing that the MySuper reforms would include:

- new duties for trustees, including a specific duty to deliver value for money as measured by long-term net returns, and to actively consider whether the fund has sufficient scale; and
- a single diversified investment strategy, suitable for the vast majority of members who are in the default option.[34]

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32 The Treasury, *Stronger Super – 2. MySuper*, http://strongersuper.treasury.gov.au/content/Content.aspx?doc=publications/information_pack/mysuper.htm (accessed 28 February 2012).

33 The Treasury, *Stronger Super – 2. MySuper*, http://strongersuper.treasury.gov.au/content/Content.aspx?doc=publications/information_pack/mysuper.htm (accessed 28 February 2012).

1.26 While accepting the need to strengthen the obligations on trustees, the government's proposed framework for corporate governance differed from that proposed by the review panel. Specially, the government announced that the changes to trustee obligations will include:

- introducing a duty for trustees and directors to give priority to the interests of fund members when that duty conflicts with other duties;
- strengthening the requirements for individual directors in relation to managing conflicts of interest;
- increasing the standard of care, skill and diligence required of trustees and directors of corporate trustees to that of a prudent person of business;
- clarifying the duties applying to individual directors of corporate trustees to act honestly and to exercise independent judgment; and
- introducing a requirement for trustees to devise and implement an insurance strategy and impose a statutory duty on trustees to manage insurance with the sole aim of benefiting members.[35]

Support for the introduction of MySuper

1.27 As the Hon. Bill Shorten MP, Minister for Financial Services and Superannuation, stated the MySuper Core Provisions Bill is part of broader reforms intended to modernise the superannuation system to be responsive to member engagement and therefore reduce unnecessary superannuation fees:

> ...around 60 per cent of Australians do not make active choices in relation to their superannuation.
>
> And this government believes that Australians should not be charged for valet parking when they are catching the train...
>
> Having created an industry which flourishes on the back of compulsory savings mandated by legislation, it is fair that this industry, which benefits so much from the compulsory saving system in Australia, contributes to higher retirement savings through greater efficiency and lower fees.
>
> MySuper will provide a simple, cost-effective default product that all Australians can rely upon.[36]

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34 The Treasury, *Stronger Super – 5. Governance*, http://strongersuper.treasury.gov.au/content/Content.aspx?doc=publications/information_pack/mysuper.htm (accessed 4 March 2012).

35 The Treasury, *Stronger Super – 5. Governance*, http://strongersuper.treasury.gov.au/content/Content.aspx?doc=publications/information_pack/mysuper.htm (accessed 4 March 2012).

36 The Hon. Bill Shorten MP, Minister for Financial Services and Superannuation, *House of Representatives Hansard*, 3 November 2011, pp 12683–12684.

1.28 Submitters were generally supportive of the introduction of simple, comparable and cost-effective default superannuation products, as envisioned by the MySuper reforms. The findings of the Super System Review regarding member disengagement were generally acknowledged in evidence before the committee.[37] The views of the Industry Super Network (ISN) were indicative of the support for the review's findings regarding members' active participation in their superannuation investments. The ISN argued that:

> ...committee members would be well served revisiting the Cooper review's key observation that superannuation, regrettably, does not operate like a competitive market where consumers make informed and active decisions to place their savings with the best performing funds... Without active engaged consumers there is little incentive for providers to strive to offer the best possible product delivering the best possible returns.[38]

1.29 Accordingly, the need to increase consumer protection through the introduction of cost-effective, simple default superannuation products was generally acknowledged. The Australian Chamber of Commerce and Industry (ACCI) argued that the reforms are required to give appropriate recognition to consumer behaviour:

> ACCI supports the MySuper goals of reducing account costs, making costs more transparent, improving the basis for inter-fund comparison, and providing improved member protection. ACCI recognises that many employees are not well positioned to be actively engaged in making investment decisions, and an appropriate superannuation system must recognise this.[39]

1.30 The Financial Services Council considered that the reforms will enhance transparency and consumer protection within Australia's superannuation sector:

> The MySuper captured particularly in the first bill puts, if you like, a safety net into the law—a set of parameters around what a default superannuation product should look like. For the first time, it effectively says that when you have a compulsory savings system in this country we believe there ought to be some protections or some provisions around where those compulsory moneys flow.[40]

1.31 Similarly, ISN strongly advocated regulatory reform, arguing that 'it is entirely appropriate to reassess the regulatory framework, particularly for

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37 See, for example, Australian Chamber of Commerce and Industry, *Submission 6*, pp 7–9; Mr Stephen Partridge, Product Leader, Outsourcing, Mercer (Australia) Pty Ltd, *Proof Committee Hansard*, 2 March 2012, pp 39–40.

38 Mr Matthew Linden, Chief Policy Advisor, Industry Super Network, *Proof Committee Hansard*, 2 March 2012, p. 9.

39 Australian Chamber of Commerce and Industry, *Submission 6*, p. 6.

40 Mr Andrew Bragg, Senior Policy Manager, Financial Services Council, *Proof Committee Hansard*, 2 March 2012, p. 3.

superannuation providers who wish to offer default funds in workplaces where members do not exercise a choice of fund'.[41] The Financial Planning Association of Australia (FPA) recorded its agreement with the policy intent that is given effect to by the MySuper legislation and noted that 'the FPA supports the intention to have "comparable" characteristics based on cost, investment performance and the level of insurance coverage'.[42] Similarly, BT Financial Group also approved the consumer-orientated policy objectives underlying the MySuper scheme,[43] while Colonial First State (CFS) noted that the 'CFS supports the Government's Stronger Super reforms'.[44]

1.32 In contrast, the Association of Financial Advisors submitted that the proposed re-design of Australia's superannuation system may entail significant risk:

> Philosophically, the AFA disagrees with the government designing financial services products and intervening in such a substantial way in a market that is largely effective. History suggests that intervention of this type poses a significant consequences and suboptimal outcomes.[45]

1.33 The Corporate Super Specialist Alliance posited that an outcome of the MySuper reforms will be further disengagement by members.[46] However, Mercer anticipated that engagement will remain 'fairly similar' to levels under the current superannuation scheme:

> My gut feeling is it is probably going to be fairly similar. It is important to recognise that, if you look at the default funds at the moment, many members are in the default funds but there are many younger members with smaller balances. If you look at the latest APRA statistics that only came out a day or so ago there are significant assets outside the default funds and they are predominantly with older members with the bigger balances. So it is not surprising that what happens is that young members are disengaged, the balances are small, and as they reach 40—or 50, or whatever the magic age or balance is—they get engaged...I think you will inevitably get movement to choice at some point. Will that mean that the MySupers are similar to the defaults at the moment? My hunch is that they might be a bit more or a bit less but they are probably of about the same order.[47]

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41 Mr Linden, Industry Super Network, *Proof Committee Hansard*, 2 March 2012, p. 9.

42 Financial Planning Association of Australia, *Submission 16*, p. 1.

43 BT Financial Group, *Submission 11*, p. 1.

44 Colonial First State, *Submission 10*, p. 1.

45 Association of Financial Advisors Limited, *Submission 15*, p. 3.

46 Mr Gareth Hall, Treasurer, Corporate Super Specialist Alliance, *Proof Committee Hansard*, 2 March 2012, p. 19.

47 Dr David Knox, Senior Partner, Mercer (Australia) Pty Ltd, *Proof Committee Hansard*, 2 March 2012, p. 45.

Committee view

1.34 The committee considers that the introduction of a cost-effective, simple and comparable default superannuation scheme is compatible with the objective of promoting a market in which consumers can confidently invest. The evidence provided to this committee, and explored in the Super System Review, points to the need for reform. A system cannot be in the best interests of its members, or facilitate informed participation, if it does not effectively respond to members' engagement with that system.

1.35 The committee approves the proposed complete modernisation of Australia's superannuation system, and commends the principles underlying the MySuper scheme. However, evidence before the inquiry highlights areas of concern with the MySuper legislation. These matters are considered in subsequent chapters of this report.

1.36 The evidence before the committee highlights the alarmingly low levels of consumer financial literacy regarding Australia's superannuation system, notwithstanding the identified limitations to the number of engagements. The committee would welcome greater efforts to improve members' understanding of an investment that is of significant financial importance. The committee may raise this matter with the Australian Securities and Investments Commission (ASIC) as part of the committee's ongoing oversight of ASIC. The committee would also be interested in advice from the Financial Literacy Board regarding the Board's activities in this area.

Report structure

1.37 The report is divided into five substantive chapters:

- chapter two provides an overview of the MySuper Core Provisions Bill and the Trustee Obligations and Prudential Standards Bill;
- chapter 3 examines the exemption for large employers to tailor MySuper products in the Core Provisions Bill;
- chapter 4 considers new trustee obligations in the Trustee Obligations bill, including the 'financial interests' and 'scale' tests; and
- chapter 5 looks at how the Australian Prudential Regulation Authority would authorise default and tailored MySuper products.