

Superannuation Policy

ACTU Congress September 1991

1. Introduction

1.1 Congress notes with satisfaction:

1.1.1 That the union movement is well on its way to achieving its aim of at least a basic level of employer-financed superannuation for all workers.

1.1.2 That the spread of superannuation and its reform toward fully vested and preserved benefits is of particular benefit to low-paid and women workers who have previously been denied genuine access.

1.1.3 That the Government's initiative builds on the spread of superannuation coverage which has occurred through Award based occupational superannuation. The provision of a minimum entitlement by legislation will further assist the position of those workers, particularly women and the lower paid, who previously did not have access to any superannuation benefit.

1.1.4 That the growth in fund membership has been overwhelmingly in low cost multi-employer funds with at least joint trusteeship control of unions. Such funds are now approaching 2.25 million members excluding the public

sector and almost all of this growth has occurred in the last 5-6 years.

1.1.5 That this development has created the basis for a massive increase in savings thus reducing our long term reliance on foreign debt and enhancing our economic independence. Treasury estimates current superannuation fund assets at some \$120 billion.

That the Federal Government has helped to create an environment in which this growth has occurred and can be built upon by -

- initially supporting the awarding of a 3% employer contribution;
- maintaining a strongly tax concessional regime for superannuation;
- reforming the way in which superannuation can mesh with the retirement income system to provide income additional to the age pension;
- supporting future increases in employer contributions, by committing itself to legislating for a minimum level of employer support of 9% by the year 2000

2. Superannuation Guarantee Levy

2.1 Congress congratulates the Government on its historic commitment to legislate for the phased implementation of a minimum level of employer support of 9% by the year 2000. The Government's initiative builds on the spread of superannuation coverage which has occurred through award based occupational superannuation. The provision of a minimum entitlement by legislation will further assist the position of those workers, particularly women and the lower paid, who previously did not have access to any superannuation benefits. In addressing the form of the

legislation to deliver this commitment Congress calls on the Government to have regard to the need to:

- effect increased equity in relation to women workers and the lower paid
- set an entitlement threshold which will not encourage the further casualisation of industry
- continue the provision of award based superannuation in order to determine a range of issues associated with the provision of occupation superannuation including the question of the appropriate fund for the payment of employer contributions.
- ensure that no employer who carries on a business is exempt from the application of the levy.
- ensure that the proceeds of any levy collections will be redistributed to those employees in respect of whom they are paid. Redistribution should be by way of contributions to complying superannuation funds in accordance with the relevant award provisions.

2.2 Congress expresses its strong support for the continuation of award based superannuation and for increases in the level of contributions specified to at least the minimum level of contributions prescribed in the superannuation legislation.

3. Union Action

3.1 Congress confirms the union movement's ongoing commitment to the spread, reform and development of superannuation and specifically:

- Calls on all affiliates to ensure that superannuation is adequately provided for in all awards and agreements;
- Calls on the Federal Government to ensure that adequate resources are devoted to the enforcement of employer obligations regarding superannuation;
- Determines to pursue further reform of scheme design where appropriate together with encouraging voluntary employee contributions and enhanced employer contributions at a time and in a manner consistent with our wages and other strategies.
- Calls on all ACTU affiliates to support the Governments superannuation guarantee levy by ensuring that at least the minimum prescribed level of superannuation contributions are incorporated into all agreements and awards, with the ACTU to run a test case should this be necessary.

3.2

3.2.1 Congress calls upon the Federal Government to establish standards for the operation of defined benefit funds in the control of surpluses or deficits maintained within those funds and for the repatriation of surpluses.

Specifically, the Government should require that funds should regularly disclose details to fund members of the financial standing of the fund (including any actuarial surplus or deficiency). Further, at the time of winding up, or other appropriate times, defined benefit funds should be required to repatriate all accrued funds, including surpluses, to the members of the fund on an equitable basis.

3.2.2 Congress calls upon the Federal Government to co-ordinate the establishment of processes under State Corporate law whereby outstanding superannuation contributions are ranked equally with wages at times of receivership, bankruptcy or winding-up.

3.2.3 Congress calls on the Federal Government to ensure appropriate penalties on non-complying funds are developed and enforced. Congress believes that the situation whereby current penalties are imposed on the members of the fund in cases where the trustee or the employer has failed to comply

with ISC regulations is not appropriate. The process should be that fund members should not be victims of any such penalties imposed.

3.2.4 Congress believes it is important that superannuation fund members are better protected. Currently there are legal complexities that a fund member must go through should they wish to challenge a decision of the Trustee in arrears such as a disputed disablement claim or the inability to obtain information about the fund's financial standing. Congress calls upon the ISC to establish a dispute resolution process whereby fund members can challenge the decisions of Trustees in an effective and facilitative manner.

4. Equity

4.1 Congress recognises that many workers spend significant periods of their working lives outside paid employment due to ill-health, unemployment and other factors. In particular, many women spend periods in unpaid employment because of their family responsibilities, including the care of infants, children, sick family members and aged parents.

4.2 Congress declares that such workers whose accumulation of occupational superannuation has been limited, should not be prejudiced in their financial security in retirement.

4.3 Accordingly, Congress calls on the Federal Government to examine means of providing increased current funding to ensure the future financial security in retirement of all Australians.

4.4 Further, Congress calls on all Governments to fund presently accruing liabilities in their own employees' superannuation schemes, and to develop measures to fund existing unfunded liabilities.

4.5 The regulatory and tax concessionary arrangements associated with superannuation, in particular RBL's, must be constantly reviewed to provide greater equity in their application.

5. Prudential Supervision

5.1 Congress acknowledges the need to protect the retirement savings of workers and to maintain public confidence in superannuation as an appropriate vehicle for ensuring a higher standard of retirement income than would be possible by reliance on the age pension alone.

5.2 Congress calls for an increased emphasis on the accountability, financial stability and efficiency of the superannuation industry.

5.3 Congress supports the initiatives of the Government in seeking to ensure that there is an adequate prudential framework to improve the security of funds invested in superannuation. In particular Congress supports measures directed at:

- ensuring adequate information is provided to members and potential members including information on a funds investment strategy, relative financial performance administrative arrangements and the treatment of fund surpluses.
- ensuring that fund trustees and managers discharge their functions effectively and are accountable to members for their actions.
- minimising the risk of imprudent or unfair practices and the consequences of inscrupulous operators.

- improving through education industry understanding of issues such as the rights and duties of trustees, appropriate investment strategies and performance measurements.
- developing an appropriate low cost mechanism to resolve disputes between fund members and trustees.

6. Investment

6.1 Congress calls on the Federal Government to facilitate the provision of funds for socially and economically desirable infrastructure expenditure or investment including through the following initiatives:

- specific allocation of a significant proportion of Government revenue generated by the 15% superannuation tax on fund contributions and earnings;
- reduced taxation rates to apply to funds invested by superannuation funds in socially and economically desirable investment.