



# **CPSU (PSU Group) Submission**

Submission in response to the Productivity  
Commission Draft Report into

Default Superannuation Funds in Modern  
Awards

**August 2012**

## Introduction

The PSU Group of the Community and Public Sector Union (CPSU) is an active and progressive union with approximately 60,000 members. The CPSU represents employees of the Australian Public Service (APS), the ACT Public Service, the Northern Territory Public Service, CSIRO, ABC, Telstra, the telecommunications sector, call centres, employment services and broadcasting.

Over 80% of CPSU members have default superannuation arrangements into statutory funds administered by the Commonwealth Superannuation Corporation (CSC), or under schemes established by the NT Government for its employees.

Employees of the Australian Public Service and other Commonwealth Government entities are predominately in the CSC superannuation schemes. In its 2010 – 2011 Annual Report to Parliament<sup>1</sup>, the CSC (previously named ARIA), stated there were 205,834 contributing members to the three ARIA/CSC APS superannuation schemes, the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (PSS ap). There were also 145,449 deferred or preserved members and 138,920 pensioners.

Some employees in the NT and ACT Government have remained members of the CSS or PSS, whilst employees employed in more recent times have been excluded from joining the CSC schemes. The default arrangement for recent employees to ACT Government is First State Super and for NT Government, the Australian Government Employees Superannuation Trust (AGEST).

About 10% of CPSU members are covered by corporate superannuation funds. These are Telstra Super, Australia Post Super and AvSuper.

The remaining 10% of CPSU members who work in the private sector have superannuation arrangements in a range of superannuation schemes that are primarily established via default superannuation arrangements that have been established in Modern Awards, or under the terms of a current Enterprise Agreement.

Where not already addressed in this submission, the CPSU support the ACTU submission to this Inquiry.

## Award coverage of CPSU members

As set out above a proportion of CPSU members working in the private sector have default arrangements set through modern industry awards. However, the majority of CPSU members work in sectors where enterprise award arrangements operate. For these employees, modern awards do not apply.

Current Enterprise Awards operate in the Australian Public Service, other Commonwealth public sector employers such as the ABC and CSIRO, government business enterprises such as Australia Post and Medibank Private, ACT Government, NT Government and private sector employers such as Telstra and CSL Ltd.

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<sup>1</sup> [http://www.csc.gov.au/storage/1-1010\\_aria\\_ar.pdf](http://www.csc.gov.au/storage/1-1010_aria_ar.pdf)

These awards are yet to go through a modernisation process, although in respect of Telstra a Full Bench of Fair Work Australia has decided that the Telstra enterprise awards should be modernised rather than terminated and initial discussions about enterprise award modernisation have commenced with other employers.

We would expect that the treatment of superannuation fund arrangements in enterprise awards will be a matter to be considered in the enterprise award modernisation process.

We note that the Productivity Commission report does not deal with the subject of the treatment of superannuation arrangements in modern enterprise awards. We are interested to know the view of the Productivity Commission on this matter, and are available to discuss our perspective.

The CPSU believes that modern industry awards will operate differently from enterprise awards, in that modern enterprise awards will be established for one employer. The CPSU supports default superannuation arrangements being established by the employer and the union/s representing employees.

## Statutory Funds

### Exempt Public Sector Superannuation Schemes

Some of the schemes to which CPSU members in the Northern Territory belong are 'exempt public sector superannuation schemes'. These schemes are closed defined benefit schemes, with the most recent closure occurring in 1999. Employees employed in the NT Public Service since that time have defaulted to a defined contribution scheme as identified above.

Based on APRA material<sup>2</sup> none of the CSC Australian Public Sector schemes are 'exempt public sector schemes'.

### Current Default superannuation arrangements in the Australian Public Sector

The three CSC Australian Public Sector superannuation schemes are administered under Federal Acts of Parliament, Regulations, and Trust Deeds. The CSS is covered by the *Superannuation Act 1976*, the PSS by the *Superannuation Act 1990* and the PSSap by the *Superannuation Act 2005*. The CSS closed to new members in 1990 and the PSS closed to new members in 2005. The PSSap remains open for new employees, subject to conditions outlined below.

The default superannuation arrangements for these schemes are established in the legislation for the CSS and PSS. The PSSap was established as the default fund for employees in the Australian Public Service through a decision of the Minister for Finance and Administration in 2005.

Federal Public Sector entities outside of the Australian Public Service can contribute to and nominate the PSSap as their default fund if accepted by the Minister for Finance and Deregulation, although this is not mandated. As a result, the CPSU has established the PSSap fund as the default fund for a number of Federal Public Sector entities through Enterprise Agreements.

## Corporate Funds

As previously reported there are three corporate superannuation funds with significant CPSU membership.

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<sup>2</sup> <http://www.apra.gov.au/Super/Documents/EPSSS-list.pdf>

These funds were created in the early 1990s to cover employees in Telstra, Australia Post, the Civil Aviation Safety Authority (CASA) and AirServices Australia. Whilst Telstra is now a private company, Australia Post, CASA and AirServices remain in public ownership. None of these employers are currently covered by Modern Awards.

Superannuation arrangements are set out in Trust Deeds negotiated between the employer and relevant unions and the ACTU. In some cases superannuation is also referenced in Enterprise Agreements and the CPSU continues to bargain around superannuation.

Members of these funds are employees and former employees of the sponsoring employer, and their immediate families. All these schemes have closed their defined benefit arrangements and new employees who join these organisations are provided with a defined contribution scheme.

As these arrangements have been settled to deal directly with employees of that enterprise and the employer, the CPSU supports the corporate fund continuing to act as the default superannuation fund. The CPSU expects that modern enterprise awards would reflect this situation.

## **Private Sector Funds**

CPSU members work in a range of private sector organisations including in telecommunications, television and broadcasting and community services. In addition, where Australian Government employers were not permitted continued access to the APS schemes, those employers have established superannuation arrangements with primarily Industry Superannuation funds.

CPSU has negotiated enterprise agreements in a large number of these organisations. These agreements generally establish terms and conditions of employment which may or may not operate in conjunction with the relevant award.

## **Conclusion**

CPSU members have a diverse range of superannuation arrangements, including statutory defined benefit schemes, Government mandated accumulation schemes, preserved entitlements for certain groups of employees and defined contribution schemes.

Superannuation is an important industrial issue for workers and it is generally accepted that superannuation provides for the majority of Australians their second largest financial asset after their home.

The CPSU believes that modern awards, and in future modern enterprise awards, should establish default superannuation fund arrangements. In future enterprise award modernisation processes the superannuation arrangements that have been in place in that enterprise, as well as the views of employees, their union and the employer, should be given substantial weight.

Given superannuation is an industrial issue, the CPSU supports Fair Work Australia, as the industrial 'umpire', continuing to have responsibility for establishing default superannuation funds in Modern Awards. In so doing, and consistent with its responsibilities under the *Fair Work Act 2009*, Fair Work Australia must consider the views of the relevant employers and unions.