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The Treasury  
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PARKES ACT 2600

By email : [simplersuper@treasury.gov.au](mailto:simplersuper@treasury.gov.au)

8 August 2006

Dear Sir/Madam

**RE: Submission - A Plan to Simplify and Streamline Superannuation**

Thank you for allowing AUSfund to provide a submission to the Federal Government's *A Plan to Simplify and Streamline Superannuation* released in May 2006.

**AUSfund Overview**

AUSfund is an Eligible Rollover Fund (ERF). The fund is designed to look after small, inactive and lost accounts.

Research by The Heron Partnership and SuperRatings shows that AUSfund is the only one of 14 registered Australian ERFs surveyed that provides strong investment returns combined with low fees and a genuine service aimed at reuniting people with their unclaimed super money. Both concluded that AUSfund was the market leader in the ERF market.

AUSfund strives to reduce its membership by encouraging its members to transfer their AUSfund account to their active superannuation account. AUSfund achieves this through various activities (unique to AUSfund):

- Advertising campaigns (print and television) in mainstream media;
- On-line Lost Super Search via [www.unclaimedsuper.com.au](http://www.unclaimedsuper.com.au);
- Annual Rollover Forms to members that encourage them to consolidate their lost/unclaimed super into their active account;
- Address Matching services; and
- Cross Fund Matching.

These activities have been very successful. Over 1.6 million unclaimed super searches have been undertaken through AUSfund's website in the last financial year. Cross Fund Matching has resulted in almost \$130 million being returned to 320,000 members' active accounts over the past five years.



## **Maximum Time Limit for Transfers**

Under section 9.2.1 of the *Plan*, it is proposed that the maximum time limit for superannuation funds to transfer a benefit upon receiving a request be reduced from 90 to 30 days.

AUSfund's strives to process such requests within 7 days of receipt to provide efficiency for members to consolidate their super.

Nevertheless, as mentioned earlier, AUSfund conducts many unique activities to encourage members to rollover their AUSfund account into their active superannuation account. This results in substantially higher rollover requests being processed when compared to a normal superannuation fund.

For example, when AUSfund aired a number of television commercials in November 2005, encouraging members to search for their unclaimed super and transfer out of AUSfund, the fund received in excess of 23,000 rollover requests in a little over a month. In instances of such campaigns, AUSfund could not process this number of requests within the proposed 30 day limit, unless significant costs are incurred for additional resourcing (and these costs passed onto members). The alternative would be worse, in that to avoid breaching the proposed time limit, AUSfund would need to reduce campaign activities to encourage members to consolidate their superannuation into their active accounts.

ERFs also have a larger presence of members on the ATO's lost member register than normal funds. The ATO has been issuing letters directly to people listed on this register encouraging them to consolidate their super. A number of funds also conduct SuperMatch exercises with the ATO. Again, these activities generate large volumes of rollover requests for AUSfund.

*Recommendation – a mechanism is available that allows funds, like AUSfund, to continue campaigns that encourage members to consolidate their lost/unclaimed superannuation into their active accounts (similar to an application for relief).*

## **Standard Rollover Form**

We welcome the Government's proposal that all funds use a standard form for portability requests including standard proof of identity requirements to ensure uniformity amongst funds (refer paragraph 3 of section 9.2.1 of the *Plan*).

The majority of ERF member accounts contain small balances. A substantial amount of these accounts usually contain limited information about the member. Therefore, strict ID requirements for small account balances will discourage these members from consolidating lost/small balance accounts to their active accounts.

*Recommendation - Identification requirements to transfer member accounts with small account balances (i.e. below \$100) should be rational and practical so as not to discourage these members from consolidating their lost/small balance accounts to their active accounts.*

## Lost Members register

Under section 9.2.2 of the *Plan*, we recognise the positive effect of the Government's recent direct mail out campaign to approximately 3 million lost members and commend the Government's proposal that the ATO undertake a more active role to facilitate consolidation of member accounts with relevant funds.

At this point we would like to highlight that there is a great deal of confusion about the definition of a 'Lost Member' and the result is different reporting practices amongst Superannuation Funds. The regulators will not give a clear direction to funds and nothing has been done to clarify this definition.

We are concerned however that the Government proposes that a member can indicate they are satisfied with an account's inactive status. It has been highlighted that when a member receives notification regarding a potential lost/inactive account, it can be quite daunting to a member in locating/confirming this account with the fund (i.e. the fund does not offer adequate assistance). There are also occasions of confusion in relation to identification of funds that have similar names or industries they represent. As it is in the member's interest to consolidate, it would be appropriate that the member cannot 'opt out' from the lost member process.

AUSfund recognises that the Government's proposal for the ATO to facilitate consolidation in relation to the Lost Members register will require enormous effort and appropriate resourcing. This understanding stems from AUSfund's unique experience in facilitating large rollout campaigns. Therefore we would encourage the ATO to fully understand the work effort and costs associated with such activity prior to commitment.

The success of AUSfund's activities in reuniting people with their unclaimed super money clearly demonstrates that a similar approach for all other ERFs would reduce the incidence of lost super money to a large extent, rather than the current state where all other ERFs serve as a dumping ground and do little to locate lost members or consolidate accounts.

If this cannot be achieved, then the establishment of one centralised ERF would reduce the number of inactive accounts as duplicate accounts could easily be consolidated.

A centralised ERF with a specific mandate to undertake searching, matching and consolidation activities could ensure that proper scrutiny could be given to all lost superannuation monies once transferred to the ERF.

A centralised ERF could provide:

- a standard transfer policy for lost accounts;
- searching, matching and consolidation activities;
- member account protection;
- significant economies of scale;
- cost effective education to members;
- effective merging of duplicated accounts;
- efficient electronic transfer protocols amongst all participating funds;
- cost savings to all superannuation fund members who pay the cost of member protection and lost member management; and
- assistance to the ATO with member matching.

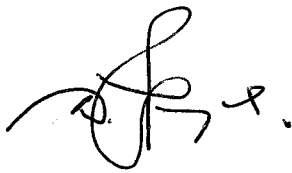
The current system, which does little to address the problem of the growing accumulation of lost and small accounts only benefits ERF shareholders and their service providers who profit from these businesses. A centralised ERF should be a profit-for-members fund because a commercial ERF, which needs to make a profit for its owners would find it very difficult to provide an effective and low cost service consistent with the Government's policy of protecting small accounts.

*Recommendations:*

- *A clearer definition within the regulations of a 'Lost Member' is required;*
- *Members on the Lost Member register should not be provided an 'opt out' of the Lost Member process;*
- *Adequate resourcing must be available to the ATO to undertake an efficient and effective role to facilitate consolidation of member accounts; and*
- *Establishment of a single profit-for-members Eligible Rollover Fund (rather than multiple ERFs) whose mandate is to undertake searching, matching and consolidation activities.*

If you wish to discuss these recommendations in any further details, please do not hesitate to contact me on 03-9657 4304.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D. Haynes', with a stylized flourish at the end.

**DAVID HAYNES**  
*Executive Officer*