HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

Industry Super Australia

ISA1QW: Has industry Super Australia ever completed a report or analysis on the number of people who hold multiple accounts across different superannuation funds?

If, so can you please provide a copy of the report or analysis?

Answer:

Industry Super Australia (ISA)- known as Industry Super Network or ISN prior to 2014- has a long history of encouraging super funds to unite members with savings that might be sitting in existing multiple accounts and promoting policy change that would benefit members by eliminating the creation of multiple accounts in the future.

ISA's long-standing policy position is that system reform must tackle both the existing stock of multiple accounts and stem the creation of more in the future.

Attached are three reports ISA has completed on the issue:

- *Multiple Accounts in ISN Funds – superstream and account consolidation*; ISN February 2012
- *Account Consolidation – Industry Super Australia;* RiceWarner, November 2017
- *Stapling of superannuation accounts- Industry Super Australia*; KPMG July 2019

The 2012 report was produced for internal purposes and provides an analysis of the number and characteristics of multiple accounts within five funds that participate in ISA's programs.

ISA's objective in producing the report was to demonstrate the benefits to members of account consolidation and encourage funds to find ways that more could be done regardless of the restrictive legislative and regulatory environment that existed up until 2018. The de-identified data used in the report was provided to ISA by the administrator of the funds at the time, Superpartners with the consent of the participating funds.

The report pointed out that an efficient way to match accounts would be to take a coordinated approach with the Eligible Rollover Fund, Ausfund.

Over the years many industry funds have worked proactively with AUSfund to reunite members with their savings by matching small inactive accounts. This work required care given the complex issues around what technically constitutes an inactive account, privacy laws and considerations about insurance cover that members had access to.

These efforts intensified after amendments were made to the regulations in 2017 to allow transfers from an ERF to an active account in limited circumstances. Since that time industry super funds have worked closely with AUSfund to implement innovative cross-fund matching programs which have led to over 100,000 inactive accounts being matched or re-united with a members' active account. This work has seen participating funds transfer over $190 million into active accounts to date.

The 2017 report involved RiceWarner modelling the impact of consolidating multiple accounts on the retirement income system and on individual retirement balances. The objective of the report was to identify a more efficient process for consolidating accounts than that proposed by the Productivity Commission as part of its review and encourage government to take a more aggressive approach to legislative and regulatory change to enable consolidation to occur.

While the positive impact of the Productivity Commission's proposal was hampered by being limited to consolidation of only new default members, ISA's proposal provided a much more efficient approach that would add $55 billion more to member's accounts by 2040 because it proposed consolidating more than half the existing multiple accounts.

The 2019 report was compiled by KPMG and looked at the merits of various options to give effect to a recommendation out of the recent Royal Commission into financial services aimed at improving the efficiency of the system by 'stapling' people to a single default super account.

ISA's objective in producing the report was to demonstrate that while stapling a person to an account for life may help avoid the creation of multiple accounts in the future, it would do nothing to eliminate the existing stock of multiple accounts which are a drag on member balances.

KPMG established that an alternate approach would tackle the existing stock of multiple accounts and avoid the creation of more by having money in a worker's super account follow them from job to job, automatically rolling over into a quality checked, single account when they change jobs, unless they choose otherwise.

KPMG found that the auto-rollover model would deliver significant benefits to members- the equivalent of nearly $200,000 per person, or an extra $7,560 a year, over their working life.