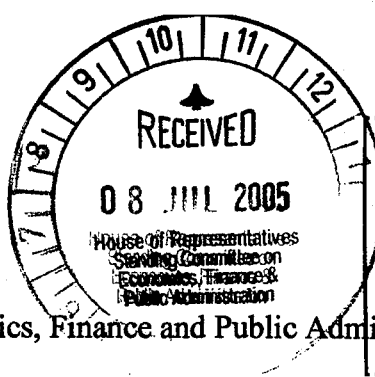


8 July 2005

The Committee Secretary
House of Representatives
Standing Committee on Economics, Finance and Public Administration
Parliament House
CANBERRA ACT 2600

House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 6

Date Received: 8/7/05

Secretary: J.S.

Dear Sir/Madam

Submission for Inquiry into Improving Superannuation Savings of People Under 40

My submission addresses the first term of reference for your Inquiry, namely, 'barriers and/or disincentives to contribute to superannuation'.

I will outline my experiences in, firstly, lack of flexibility in fund choice when I was an Australian Public Service (APS) employee and, secondly, the inability to transfer my superannuation funds to an NT account when I left the APS for the NT Public Service.

These anomalies are due to government policy that, despite my appeals to the Public Sector Superannuation Scheme (PSS) Chairperson, the Federal Minister for Finance, and the NT Treasurer, will continue to disadvantage employees in circumstances similar to mine.

Issue 1: Lack of flexibility in choice of fund for APS employees

When I joined the APS in 2000 I was dismayed to find I was compelled to have my employer super payments made to PSS whilst I already had a private fund with the Commonwealth Bank (Commonwealth Life Superannuation). My concern was that I would be liable for dual fees for management, insurance, administration (etc) regardless of whether these fees are paid by my employer or not. Also, my returns would be reduced because of split funds.

I wrote to the PSS Chairperson explaining that the NT Government was much more flexible and allowed such arrangements, as long as the fund was approved. After five months of reminding the Chairperson of my letter I finally received a response which, not only did not answer my query but, to my view, was patronising and gave rhetorical promotion of the PSS. She also emphasised compulsory PSS membership was government policy. I replied, commenting that the Minister for Finance's own web-site had a fact sheet clearly stating government policy was to give employees *choice* of funds. I received no reply.

I lodged a complaint with the Superannuation Complaints Tribunal which was unable to assist me as they, once again, emphasised government policy.

My situation was further compounded when the *Superannuation (Choice of Superannuation Funds) Act* was finally passed. There was (and continues to be) a large amount of advertising in the media about how employees now have choice. However, this does not apply to APS employees who would no doubt comprise a significant percentage of the Australian workforce.

I am not suggesting the PSS fund is any worse or better than other funds. My point is that surely there should be choice - particularly for those employees who already have a personal fund that is considered an approved fund by other jurisdictions.

Issue 2: Lack of eligible funds for NT employees to transfer PSS funds.

In 2004 I left the APS to work for the NT Public Service. Naturally, I thought this change would now enable me to roll-over my PSS fund into my Commonwealth Life Superannuation fund. Surprisingly, despite this being a Commonwealth fund, it is not on the list of eligible superannuation schemes into which I can transfer my PSS account.

As before, my aim was to combine my superannuation funds to gain maximum benefit at retirement. It seems pointless to the aim of having superannuation if I have to split my returns.

The only eligible scheme in the NT for transferring funds is the NT Government and Public Authorities Superannuation Scheme (NTGPASS). However, this scheme closed to new members in 1999. After that year, new NTPS staff may join the Australian Government Employees Superannuation Trust (AGEST) or another approved fund.

My dilemma was that AGEST is not on the list of eligible schemes for PSS transfers. So I wrote to the Minister for Finance who is responsible for assigning eligible schemes under the *Superannuation Act 1990*. Specifically, I asked him to consider adding AGEST to the list of eligible schemes considering NTGPASS is now closed to new members and AGEST was clearly a scheme for government employees.

Because of the election caretaker mode at that time, my letter was answered by the Branch Manager of the Department of Finance and Administration. This response stated that 'successor funds of existing eligible superannuation schemes' could be approved schemes.

From this response I would expect AGEST to be an eligible scheme because it succeeded NTGPASS. After the election I again wrote to the Minister asking that he formally add AGEST to the list of eligible schemes for the NT. I asked him to note there are no other NT schemes on the list so that I had no options available to me. This contradicts government policy (as stated on his web-site) to offer choice of super funds to government employees.

To my surprise (and confusion) the reply from the Minister's officer was that it was the role of the PSS Board to consider replacing fund schemes should a scheme be closed. This contradicted advice I received from the PSS Chairperson the previous year. The remainder of the Minister's letter, once again, gave the hard sell of the PSS scheme.

I then wrote to the NT Treasurer to ask him to appeal to the Federal Minister to include AGEST on the list of eligible schemes. The Treasurer replied that this was clearly a decision of the Federal Minister and that because NTGPASS is still current for existing members, he did not consider AGEST as a replacement scheme. It seemed this was the end of the saga.

The outcome of these two issues is that I am caught between a rock and a hard place with neither the Federal nor NT Minister caring about the anomaly that binds people such as myself into splitting superannuation returns.

It concerns me that on one hand, governments spend a fortune on encouraging people to take out super to cover their lives after retirement. On the other hand, their policy is unnecessarily rigid so that people are disadvantaged.

It is known there are thousands of unclaimed superannuation accounts. This is not surprising, given my circumstances whereby I am forced to have two accounts. This could be just one

reason why those people who change employment and who cannot combine their accounts, may lose track of their multiple accounts.

I recommend to the Committee:

1. Choice in super fund be given to APS employees as has been offered under recent legislation.
2. AGEST be made an eligible fund for PSS fund transfers.

Thank for you considering my submission.

Yours sincerely



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(address not for publication, please)