

# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

#### Additional Estimates

16 February 2012

**Question No:** AET 13

**Topic:** Lost superannuation – range of programs initiated by ATO

**Hansard Page:** 80

**Senator SHERRY:** .....Could you also take on notice a summary of the range of programs over the years that you have initiated, and the cost of those programs, to minimise the issue of lost super? It is not a criticism of the ATO; I am aware that there have been a range of programs over the years to reunite people with their lost super and you refer to one in the report, and that is all find and good. I am just interested in a list of them, but take it on notice. Also, could you take on notice to provide me with a list of the range of programs that the ATO have—and, again, this is not a criticism; I just want to find out the level, which I know is extensive—on SG compliance that you have initiated since the ATO has had responsibility for the SG, which I think goes back to 1992 or 1993. Can you give me just a brief descriptor, a couple of sentences, of what they involve and the cost of SG compliance over the years, broken down. Finally, I want to go to this issue which we touched on of the small and insoluble lost members account measure and the temporary residents measure. The small and insoluble lost members account measure was the less than \$200 measure, wasn't it?

**Mr Peterson:** That is correct. It also required the account to be lost. In relation to insoluble, I am not sure that the \$200 limit actually applied to those accounts. Just before we go further, I should probably flag for you that we may struggle. We will do our very best with the questions you have put on notice, but we may struggle a little bit with some of the detail going back so far.

**Senator SHERRY:** Let us say for the last 10 years. Is that too difficult?

**Mr Peterson:** We will do our very best for you.

### Answer:

#### Lost super

Listed below is a summary of the programs initiated by the ATO in recent years to minimise the issue of lost super:

- The *SuperSeeker* online tool:
  - was introduced to the ATO website in August 2003 allowing individuals to search for lost superannuation.
  - was supplemented with an Interactive Voice Recognition (IVR) telephony capability in December 2004.
  - included a hyperlink in 2008-09 between the tool and accompanying lost superannuation messages in *E-tax* for individuals to access whilst completing their income tax return.
  - from November 2009, allowed individuals to download a partially pre-filled portability form having conducted a successful search of the *SuperSeeker* tool.

- from February 2011, allowed individuals to electronically request consolidation of their lost super accounts through the SuperSeeker facility.
- In the last few years, our treatments have targeted superannuation funds to ensure integrity of data on the register and facilitate reunification of members with their lost amounts including:
  - pre due-date and post due-date telephone calls to funds to secure timely lodgment of lost member statements.
  - field audits to ensure that funds lodge accurate and complete data in relation to lost members.
  - face-to-face education sessions in 2009 and 2011 and publishing of a reporting protocol guide providing funds with guidance and technical clarification for their lost member reporting obligations.
- The first mail-out to individuals with lost accounts was piloted in February 2005. This treatment continued each year to 2010-11 in an attempt to contact and re-unite individuals with amounts of lost superannuation appearing on the register.
- Phone campaigns to individuals with accounts listed on the lost members register (LMR) have been run since the 2006-07 financial year to re-engage people with their lost super.
- The enhanced *SuperMatch* facility was implemented in December 2006 to provide super funds with information about lost member accounts recorded on the lost members register, with a view to consolidating these lost amounts into existing active accounts held for the individuals.
- In October 2008, the ATO asked funds to provide a refreshed lost member re-report that **only** contained details of lost members that were held with the fund as at 30 June 2008. This was instead of the usual practice of reporting newly identified lost, found and transferred members for the previous six month period. As this resulted in the removal of significant numbers of lost-accounts that were incorrectly appearing on the register, the ATO has decided to repeat this exercise for the lost member reporting due on 30 April 2012.
- In 2008-09, the ATO piloted the use of promotional post-cards entitled "*Lost something important?*" which promoted the use of the *SuperSeeker* tool in cafes, restaurants, cinemas, etc.
- In 2009-10, the ATO utilised ATO Tax Time Help Volunteers to assist thousands of clients conduct searches of the *SuperSeeker* tool whilst preparing their income tax returns. These clients were also provided with the ATO's "*Lost something important?*" materials. This treatment continued in 2010-11 and will be repeated again in 2011-12.
- In 2009-10, a pilot program commenced to provide a selection of superannuation funds with recent addresses for their reported lost members. Following feedback from funds that they were very successful in using these addresses to update their records and re-establish contact with their members, the ATO has since implemented this program across all funds for their reported lost members.

The following table provides data on a yearly basis of the total cost of administering the lost member product by the ATO:

Financial year	Total cost (\$ million)
2002-03	4.2 <sup>(a)</sup>
2003-04	6.2 <sup>(a)</sup>
2004-05	5.2 <sup>(a)</sup>
2005-06	6.3 <sup>(a)</sup>
2006-07	22.9 <sup>(b,c)</sup>
2007-08	45.9 <sup>(b,c)</sup>
2008-09	7.7 <sup>(b,c)</sup>
2009-10	15.7 <sup>(b,c)</sup>
2010-11	32.6

<sup>(a)</sup> As reported in ANAO Audit Report No.17 2005–06.

<sup>(b)</sup> As reported in Strategic Costing Framework calculations.

<sup>(c)</sup> Significant fluctuations in the actual cost of the Lost Members Register from 2006–07 relate to activities funded through the Super Simplification initiative.

Source: ANAO analysis of Tax Office and APRA information.

There are the two distinct arms to the definition of ‘lost’, which are in very broad terms driven respectively by returned unclaimed mail (lost uncontactable), and passage of time without an account receiving a contribution (lost inactive).

### **Superannuation guarantee**

The majority of the ATO’s compliance activities are initiated from employees notifying the ATO of employers who may not have paid the correct amount of superannuation guarantee (SG) or offered choice of fund. Each of these notifications is investigated.

Since 2007 the ATO has provided a process whereby third parties (including unions, super funds and other professional bodies) can provide information about employers who are not fulfilling their SG obligations. All information received through this channel is assessed, and compliance action is conducted on those identified as high risk.

Also since 2007, ATO Employer Obligation audits have included checks to ensure employers are meeting their SG obligations. These employers are selected for audit based on their risk of not having met their obligations.

Since mid-2008, the ATO has used educational campaigns to encourage compliance in target industries that were identified as having significant numbers of employers who are at high risk of not meeting their SG obligations. From 2011, this included letters being sent directly to these employers. Prior to 2011, messages were distributed using various industry specific publications and forums.

Since mid-2009, the ATO has conducted proactive audits of employers who were identified through a data matching process as being at high risk of not meeting their SG obligations. This has included those who are in industries identified as high risk.

In the five years to 30 June 2011 the ATO collected and transferred \$1.3 billion of unpaid super to employees' super accounts.

The following table details the total ATO cost of administering superannuation guarantee (and choice) for the last six years.

<b>Financial year</b>	<b>Total cost (\$)</b>
2005-06	79,148,102
2006-07	89,808,736
2007-08	147,284,419
2008-09	121,093,697
2009-10	113,430,115
2010-11	93,081,724
2011-12 <sup>(a)</sup>	88,901,000

<sup>(a)</sup> 2011-12 costs are the current year projected budget.

The higher costs in 2007-08 and subsequent years reflect investments made to improve ATO responsiveness to employee notifications of unpaid superannuation (including some systems development costs), and an increase of about 50% (to around 18,000 per annum) in the number of employee notifications of unpaid superannuation received. The increase in employee notifications has been sustained in subsequent years.