

Supplementary Report by Labor Members

Labor members of the committee generally believe the overall governance regime of Australia's superannuation system is very sound. Since the introduction of compulsion by the Hawk/Keating Government in 1987 the sizes of the industry and funds saved have increased dramatically and it has been governed through the trustee system in a sound and effective manner. The Superannuation Industry Supervision (SIS) Act and other regulatory improvements over the past 20 years have operated very well.

Nevertheless there can be improvements in some key areas as follows;

- (i) key data including international comparison needs improvement;
- (ii) much existing law and regulation could be consolidated and simplified;
- (iii) the total number of accounts at 30 million with 5.7 million declared lost is a very significant structural failure;
- (iv) compensation in the event of theft and fraud and employer insolvency, although small in the context of the total system, significantly harm the individuals impacted on; and
- (v) there is still significant room for improvement in the self-managed fund sector where issues of governance, regulation and information require upgrading.

Accordingly Labor members agree with most of the recommendations with the following exceptions:

Recommendation 6

Most industry funds publicly tender key service provisions overseen by APRA. This may include in some cases benchmarking of partly or fully owned entities. The requirement, as the recommendation suggests, that all entities such as retail, corporate, small and self managed have competitive public tender for all aspects of their business is both impractical and unnecessary interference in the internal commercial operation of business. Labor members find it surprising that Liberal members of the committee would support such an approach.

Recommendation 13

Compulsory unit pricing for all public offer superannuation funds is not necessary. This is a commercial decision to be made by the business not imposed by government.

Recommendation 14

Labor believes these aspects of salary sacrifice should be implemented not investigated. Further Labor believes that improvement in compensation in the event of theft and fraud and losses when an employer is insolvent of compulsory super guarantee (SG) is necessary.

Recommendation 28 and 31

These recommendations deal with the operation of self managed funds. Number 28 recommends raising the members of trustees from 4 to 10. This would see their operational use expand significantly beyond the traditional family. Given the current difficulties of governance in the sector, the rapid growth in the sector generally (4 is therefore not generally inhibiting) and lack of general support for this change the current numbers should be maintained.

Number 31 recommends yet a further extension of exemptions for accountants from regulation on giving advice on self-managed super funds. Whatever the level and detail of regulation in the SMSF sector, it should be a level playing field applying equally to all. One group, in this case accountants, should not be favoured over planners and others who advise in this sector.

Finally whilst Labor is generally supportive of the report and recommendations contained with some exceptions, it was disappointed at the over emphasis by the chair, Senator Chapman, on his dispute with Mr Garry Weaven. To reference a non response to questions is appropriate, however to attach as an appendix Hansard exchanges from 2004 on related matters detracts from the generally balanced consideration of the issues by the committee and report as a whole.

Ms Anna Burke
Deputy Chair

Senator the Hon Nick Sherry

Mr Chris Bowen MP

Senator Penny Wong