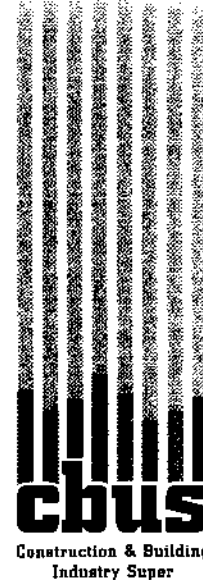


16 September 2002



Senator Watson
Chairman
Senate Select Committee on Superannuation
Parliament House
Canberra ACT 2600



Dear Senator Watson,

Thank you for the opportunity of making a verbal presentation to the Committee's inquiry into the Superannuation Amendment (Choice of Funds) Bill 2002.

During our presentation to the Committee, Cbus committed to providing further information in respect to:

- Withdrawal fees
- Cbus research on member exits
- Notional earnings base for award covered employee, and
- Comparison in respect to Choice of Fund in Western Australia .

The following information to supplied to the committee in respect to these issues:

Withdrawal Fees

Cbus collates exit fees charged by retail institutions for members who wish to roll over their funds to Cbus. Information on exit fees is provided to members so that they can make an informed decision as to whether they wish to roll out of their existing fund.

As a result of our proactive work we are aware that a number of members have made the decision to retain their funds with their existing provider in order to avoid incurring fees and charges. This is despite the fact that these members are not happy with the performance of their existing fund.

Cbus is aware of withdrawal fees that would have resulted in the member actually paying to leave the fund. As an example, in the last financial year a member of MLC Master Key Gold Star Account would have incurred a withdrawal fee of \$3,297.69 – or 100.7% of their account balance - if they had rolled out of the fund. This is not a unique example.

NATIONAL OFFICE:

Level 28
Casselden Place
2 Lonsdale Street
Melbourne VIC 3000
☎: (03) 9657 4200
Fax: (03) 9657 4201
www.cbussuper.com.au

BRANCH OFFICES:

VICTORIA
Level 28
Casselden Place
2 Lonsdale Street
Melbourne VIC 3000
☎: (03) 9657 4200
Fax: (03) 9657 4201

WESTERN AUSTRALIA
Level 2
88 Colin Street
West Perth WA 6005
☎: (08) 9212 6602
Fax: (08) 9212 6660

TASMANIA
Level 2
119 Macquarie Street
Hobart TAS 7000
☎: (03) 6224 4626
Fax: (03) 6224 4671

NEW SOUTH WALES
Level 12
44 Market Street
Sydney NSW 2000
☎: (02) 9262 3622
Fax: (02) 9262 5388

SOUTH AUSTRALIA
Level 2
104 Frome Street
Adelaide SA 5000
☎: (08) 8205 4989
Fax: (08) 8205 4918

NORTHERN TERRITORY
P.O. Box 3046
Darwin NT 0801
☎: (08) 8981 3856
Fax: (08) 8981 5244

QUEENSLAND
Level 3
67 Astor Terrace
Spring Hill QLD 4000
☎: (07) 3832 2378
Fax: (07) 3839 2566

It's the Super of the Future

Cbus believes that the existence of withdrawal fees acts as a barrier to competition.

A list of withdrawal fees that would have been payable by members rolling funds into Cbus is provided to the Committee on a confidential basis.

Cbus Research on Member Exits

Cbus recently conducted a survey of exited members to ascertain why they left the fund. A total of 29% of respondents to the survey answered that the reason that they left Cbus was because their employer suggested a rollover from the fund.

A copy of this research is provided to the Committee on a confidential basis. The research also revealed that at the time of rollover out of Cbus, 64% of respondents to the survey did not make a financial comparison between Cbus and their new fund.

This would be of particular concern in a choice of funds environment.

Notional Earnings Base

Cbus understands that the Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002 will allow an employer to continue to use existing notional earnings base that are proscribed in awards.

There are some awards where the notional earnings base results in a superannuation contribution for an employee that is less than the contribution that would apply if the definition of notional earnings base from the Superannuation Guarantee legislation was used.

Cbus supports superannuation being an allowable matter for arbitration in Federal Awards.

In respect to the awards that apply in the building and construction industry, Cbus is unaware of any awards where the definition of notional earnings base results in a superannuation contribution that is less than the definition applicable in the Superannuation Guarantee legislation.

Cbus believes that where the definition of notional earnings for award covered employees is different from that of the Superannuation Guarantee legislation then the definition that delivers the higher amount should apply.

Choice of Fund in Western Australia

The Western Australian choice of superannuation fund legislation came into effect on 1 January 1998. The legislation only applies to employees on State Industrial Agreements, Awards and Orders that require superannuation contributions to be made for an employee.

The legislation requires employers to notify their employees that they have the right to choose the fund into which their superannuation contributions can be paid.

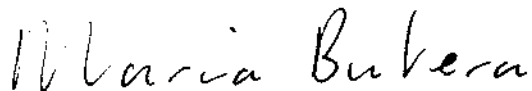
The legislation has resulted in Cbus expanding outside of its core constituency of building and construction. In fact 80% of new employees in Western Australia who register with the fund are from areas outside of our core constituency.

Since Choice of Fund was introduced in Western Australia, the number of employees who are members of Cbus has increased by 7%. By contrast the number of employers who contribute to Cbus has increased by 89%.

Date	Members	Employers
December 1997	34,232	1,389
June 1999	36,470	1,766
June 2002	36,700	2,638

The increase in the number of employers who make monthly contributions to Cbus has significantly increased the administrative costs of servicing Western Australian members. If the experience in Western Australia was duplicated across the rest of Australia, there is no doubt that Cbus would find it difficult to maintain its low cost structure.

Yours sincerely,



Maria Butera
Marketing Manager

Able to Quantify Exit Penalties (sort by Penalty \$ value)

Fund	Policy Type		Exit Fee	Account Balance	Penalty as a % of
				\$	Acc. Bal
AXA	Personal Superannuation	PS	\$ 5,940.77	\$ 18,578.82	32.0%
AXA	Personal Superannuation	PS	\$ 5,623.79	\$ 10,927.96	51.5%
AXA	Retirement Security Plan	N/A	\$ 4,982.45	\$ 41,369.36	12.0%
AXA	Personal Superannuation	PS	\$ 4,859.84	\$ 27,639.60	17.58%
AXA	Retirement Security Plan	N/A	\$ 3,632.53	\$ 45,005.68	8.1%
AXA	Retirement Security Plan	N/A	\$ 2,974.12	\$ 15,581.14	19.1%
AXA	Personal Superannuation	PS	\$ 2,541.59	\$ 29,609.42	8.6%
Norwich	Unbundled Ordinary Policy	N/A	\$ 2,226.26	\$ 12,674.76	17.56%
AXA	Retirement Security Plan	N/A	\$ 2,078.97	\$ 27,261.52	7.63%
RSA	Investment Savings Plan	N/A	\$ 1,939.02	\$ 13,943.28	13.91%
Norwich	Personal Superannuation	PS	\$ 1,910.98	\$ 25,922.57	7.37%
AXA	Retirement Security Plan	N/A	\$ 1,642.89	\$ 10,578.09	15.5%
AXA	Personal Superannuation	PS	\$ 1,545.10	\$ 16,977.81	9.10%
Tower	Personal Superannuation	PS	\$ 1,451.29	\$ 4,824.77	30.08%
FAI	Personal Superannuation	PS	\$ 1,227.06	\$ 2,537.26	48.36%
AXA	PruPlan	N/A	\$ 1,189.90	\$ 8,263.04	14.40%
MLC	PruPlan	N/A	\$ 1,189.90	\$ 8,263.04	14.4%
AMP	Whole of Life	N/A	\$ 775.54	\$ 12,333.10	6.29%
AXA	Personal Superannuation	PS	\$ 376.27	\$ 1,710.32	22.0%
Total			\$ 48,108.27	\$ 334,001.54	14.4%

Able to Quantify Exit Penalties (sorted by Penalty as a % of Account Balance)

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Key

PS = Personal Superannuation

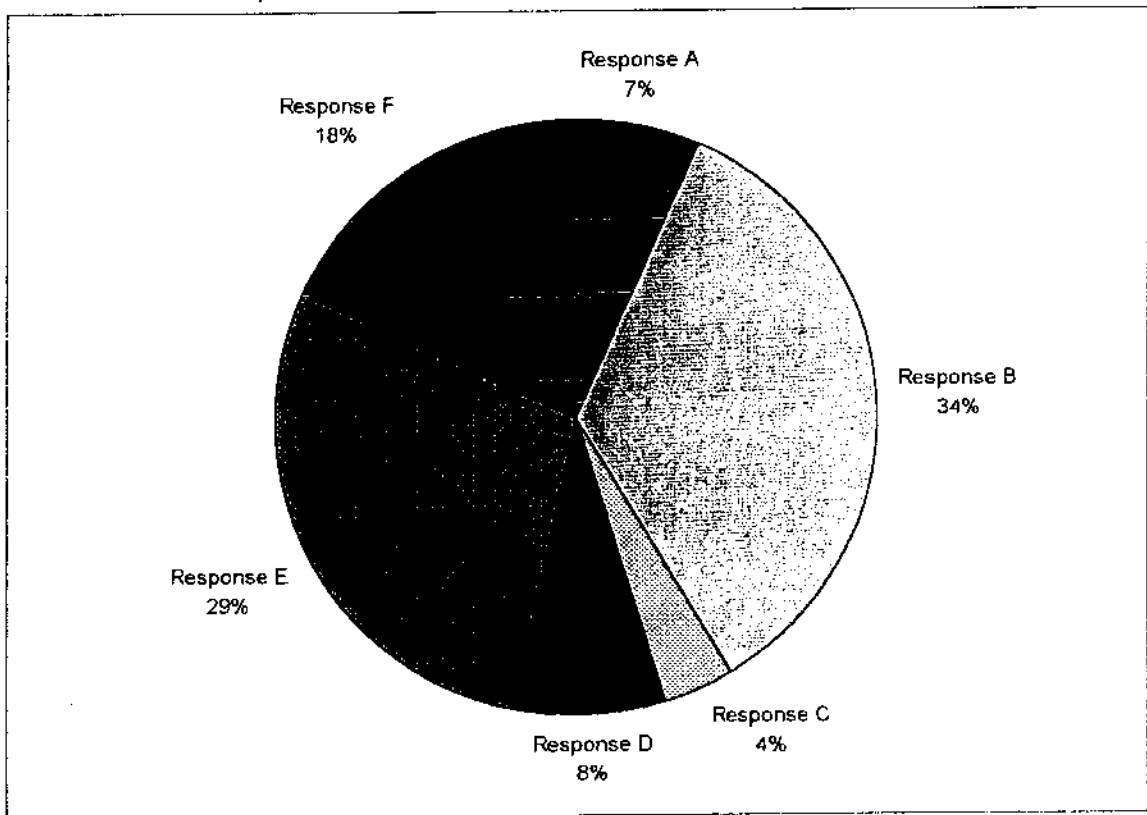
MT = Master Trust

N/A = Not available

**REPORT TO C+BUS SUPERANNUATION:
SURVEY OF EXITED MEMBERS**

Question 1: What happened to make you decide to transfer out of C+BUS?

A. Left employer/lost job	7%
B. Changed industry	31%
C. Persuaded by an agent from another fund	4%
D. Decided another product was better	8%
E. Employer suggested rollover	29%
F. Other	18%



Members Comments:

33% of people specifically said they rolled over their funds to amalgamate their accounts.

- "Moved smaller account into larger account"
- "Easier to manage"

7% moved because their employer paid into another fund

- "Will always roll into his employers fund"
- "Company pushed him into a new super, and he didn't want to pay 2 fees"

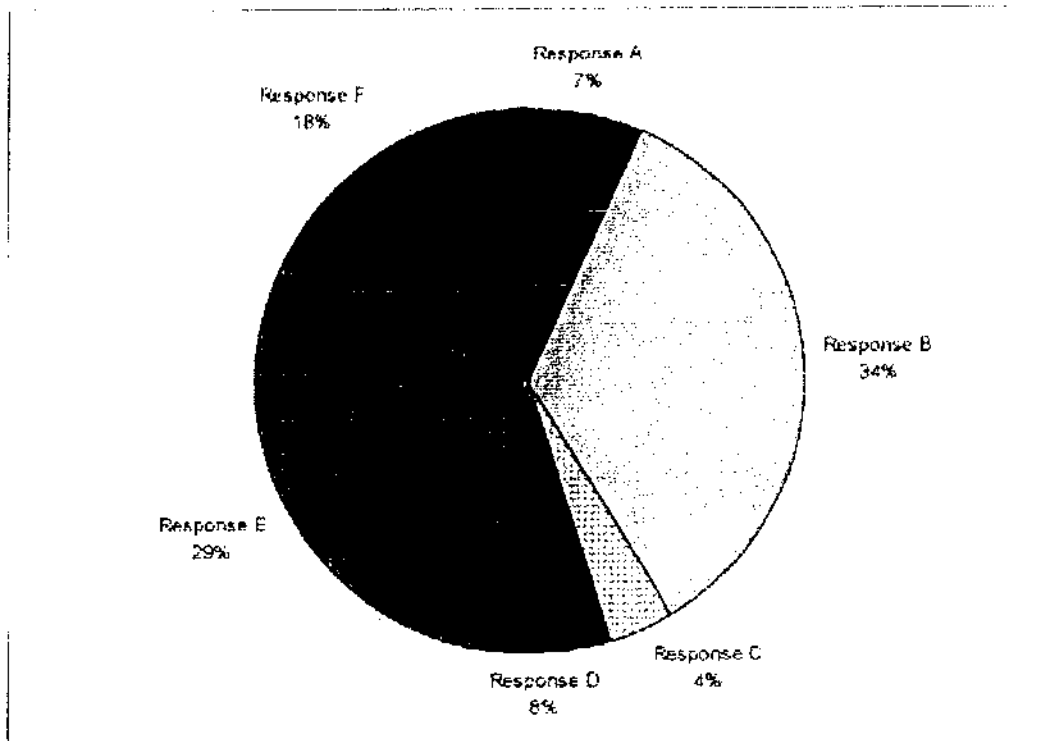
REPORT TO C+BUS SUPERANNUATION:

October 1999

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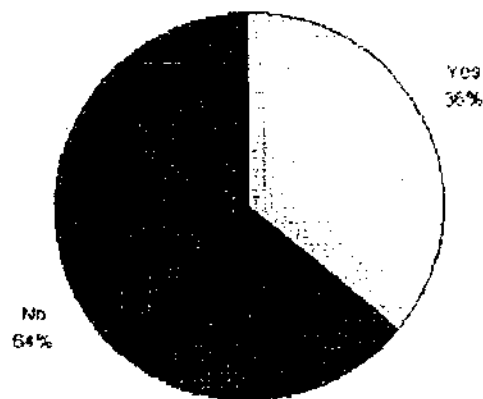
REPORT TO C+BUS SUPERANNUATION:

SURVEY OF EXITED MEMBERS

Question 2. Did you make financial comparisons between C+BUS and the fund you chose at the time?

Yes 360%

No 64%

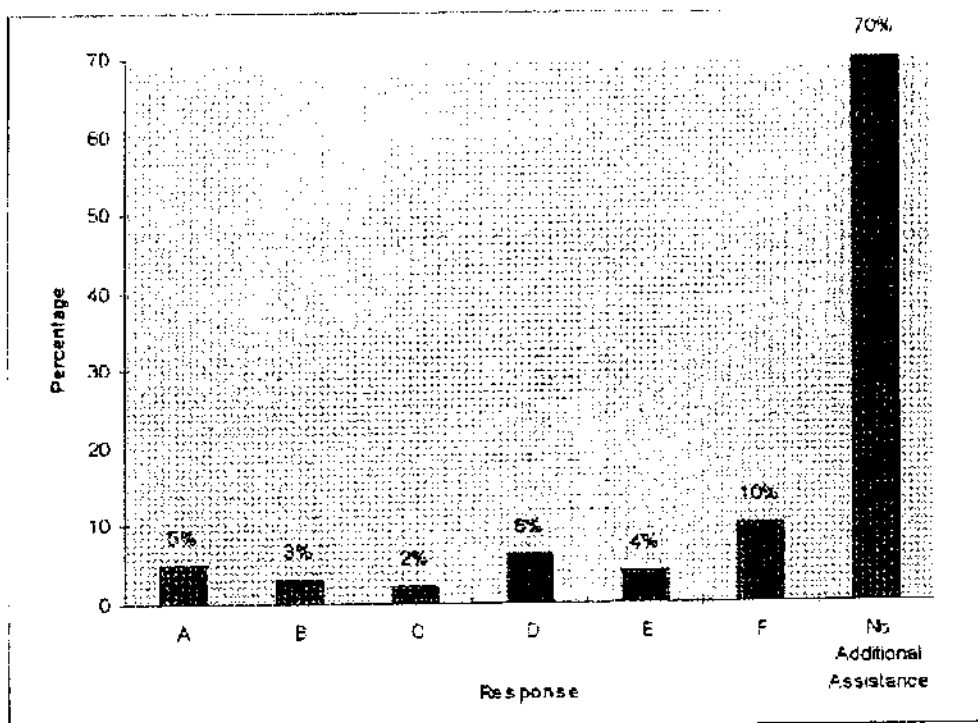


**REPORT TO C+BUS SUPERANNUATION:
SURVEY OF EXITED MEMBERS**

Question 3. What additional assistance could C+BUS have provided you with which may have resulted in you remaining with C+BUS?

- | | |
|--|-----|
| A. Financial planning advice | 5% |
| B. Telling you about the fund and its benefits | 3% |
| C. Cost comparison information | 2% |
| D. Investment performance comparison | 6% |
| E. Advice about whether or not you could have continued to be a member | 4% |
| F. Other | 10% |

No additional assistance 70%



Members Comments:

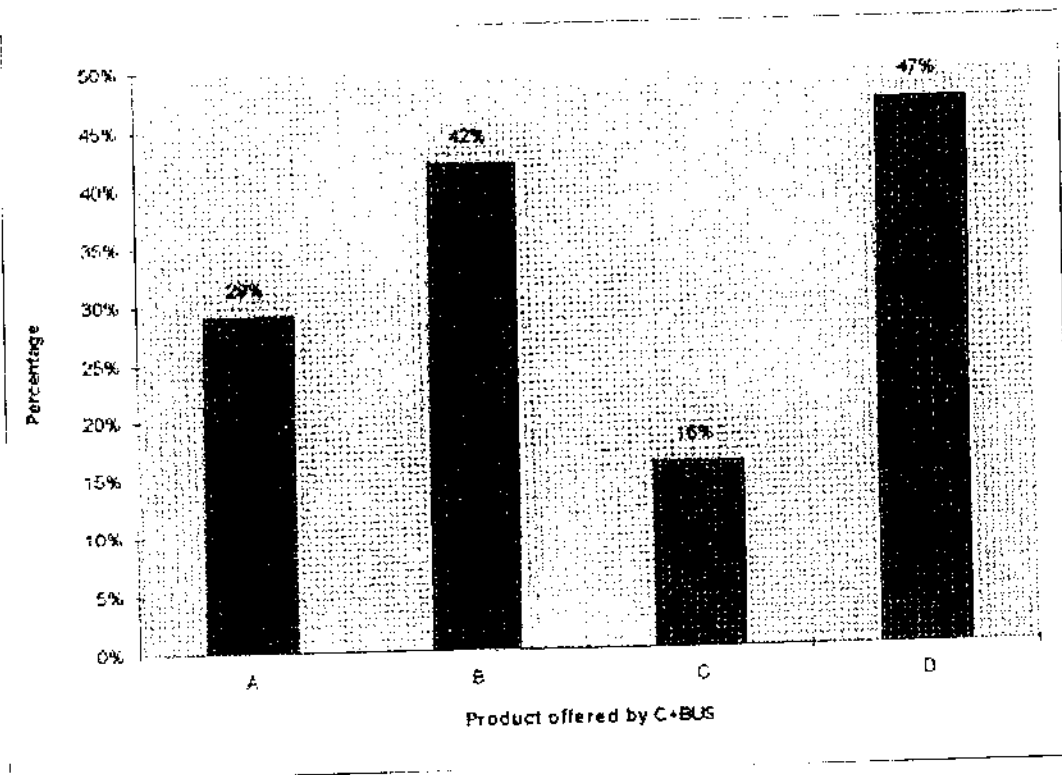
7.9% people mentioned they would have liked more advice from the fund

- "Now Self employed. I wasn't aware I could have stayed with C+BUS"
- "Found out I could have stayed with C+BUS after the rollover happened"
- "Wanted to stay with C+BUS but could not because no longer in the industry, would come back tomorrow"
- "Advise would have been good at the time but none was given from C+BUS"

REPORT TO C+BUS SUPERANNUATION:
SURVEY OF EXITED MEMBERS

Question 4. C+BUS provides a number of products which are linked to a members superannuation account. As I read the following list, can you tell me whether you were aware of the product?

- | | |
|---------------------------------|---------|
| A. Member Investment Choice | Yes 29% |
| B. Home Loans | Yes 42% |
| C. Spouse Contribution accounts | Yes 16% |
| D. Voluntary Contributions | Yes 47% |



**REPORT TO C+BUS SUPERANNUATION:
SURVEY OF EXITED MEMBERS**

Question 5. Are you satisfied with the superannuation fund that you rolled your C+BUS benefits into?

If yes, Why? (Can answer more than 1) 67% (122 responses)

Further breakdown of why member is satisfied with their new fund:

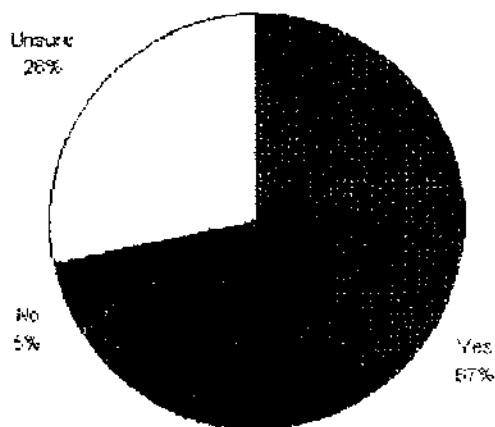
- A. Investment performance (89 responses)
- B. Security of product (45 responses)
- C. Fees (61 responses)
- D. Investment choice (73 responses)
- E. Customer service (54 responses)

If no, Why? 5% (10 responses)

Further breakdown of why member is not satisfied with their new fund:

- A. Investment performance (6 responses)
- B. Security of product (0 responses)
- C. Fees (3 responses)
- D. Investment choice (2 responses)
- E. Customer service (3 responses)

Unsure 28% (50 responses)



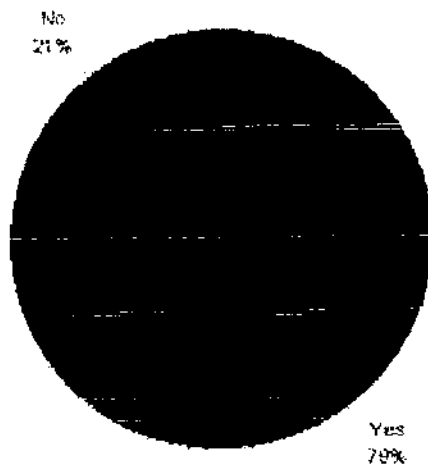
REPORT TO C+BUS SUPERANNUATION:

SURVEY OF EXITED MEMBERS

Question 6. Would you reconsider C+BUS at some time in the future?

Yes 79%

No 21%



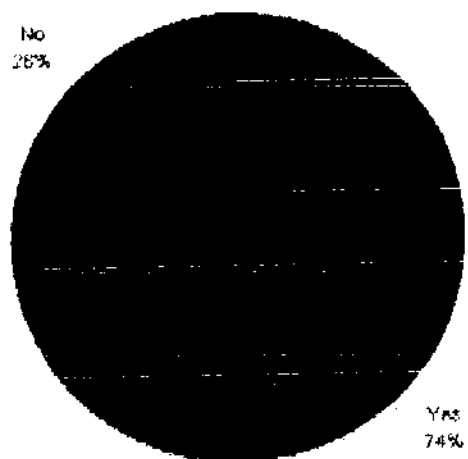
REPORT TO C+BUS SUPERANNUATION:

SURVEY OF EXITED MEMBERS

Question 7. Did you know you could have remained a member of C+BUS?

Yes 74%

No 26%



REPORT TO C+BUS SUPERANNUATION: SURVEY OF EXITED MEMBERS

114 Members provided additional comments.

6% Communication to Members:

- Would have liked more regular statements and contact
- More information about the fund and financial planning
- Would have liked more interaction

1.75% Unhappy with the Service:

- Had no direct contact for his different queries
- Poorly treated when he pulled his money out of C+BUS

10.5% Fees:

- Funds get too low when paying all the admin costs
- Combined funds to save on fees
- Money sitting idle, losing money on fees
- C+BUS were taking out fees when there was no money going in

8.7% Self Employed:

- Now Self Employed & super is tied into business
- Now Self Employed and was not aware could have remained with C+BUS

3.5 % Fund Rules

- C+BUS had a bad closing clause
- Wanted more choice in where to invest his money, didn't like the C+BUS withdrawal clause.

6% Insurance

- Rolled money into a fund with Life Insurance
- Disability fees too high
- Would have liked some advise about insurance packages