

Appendix Five

Current Levels of Portability

Retail superannuation

There are few, if any, limitations on the ability of individuals to transfer balances out of superannuation funds offered by IFSA member companies. Full portability of superannuation is already available to retail investors.

- Retail (personal) superannuation funds do not restrict the circumstances in which consumers can transfer their personal superannuation out of a fund. Consumers can request part or full balance rollovers.
- The majority of corporate superannuation plans in retail (employer) master trust arrangements do not restrict the circumstances in which consumers can transfer funds. Part balance rollovers are widely available from these master trusts although minimum balances may be required to prevent triggering member protection.
- Some corporate superannuation plans in retail (employer) master trust arrangements may require a SIS trigger event (usually leaving the employer) before transferring benefits:
 - In some cases, employers prefer that a SIS trigger event occur before transfer;
 - In some cases, the SIS trigger event rule is part of the master trust's offering to employers; and
 - In either case, the employer may be offering employees choice of superannuation fund, and those employees who prefer another fund, or a fund with no transfer limitations, would not be in this master trust.

Retail (personal) superannuation funds and retail (employer) master trusts do apply various business rules to remaining balances after a rollover:

- Personal superannuation accounts are offered subject to minimum balance requirements as disclosed in offer documents. Remaining balances below these minima may be closed; and
- Corporate superannuation plans in retail (employer) master trusts may have varied business rules on minimum account balances.

Where an account is to be closed after transfer because the account would be below a minimum balance requirement, retail funds have indicated they would prefer to send

the remaining amount to the chosen destination fund, rather than to an eligible rollover fund.

Other superannuation funds

IFSA understands that some, perhaps many, corporate superannuation funds (funds offered by employers, as opposed to master trusts) require a SIS trigger event before transfer. This would usually be leaving the employer by resignation, retirement or retrenchment.

IFSA understands that some multi-employer funds also require a SIS trigger event before transfer, and that some further restrictions may apply as well – such as those intended to retain an account unless the member has left the industry in which the fund operates. We understand that these requirements have decreased in recent years, particularly among the multi-sector, multi-employer funds.

Defined benefit funds generally do not allow portability of superannuation benefits, for reasons that are widely accepted. Unfunded defined benefit superannuation schemes routinely restrict portability of benefits, even after a member has left employment. In many cases, the design of the fund or scheme is such that a transfer amount could not be calculated – for instance, where an employee has not left employment. However, many members of defined benefit funds could be readily provided with a transfer value, and some members of hybrid schemes already have an accumulation-style balance amount yet cannot transfer that balance.