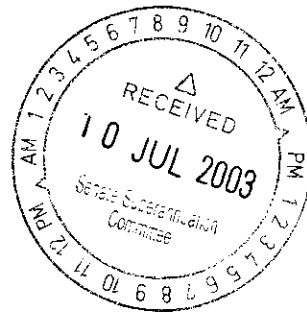




**AUSTRALIAN INDUSTRY**  
GROUP

4 July 2003



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The Secretary  
Senate Select Committee on Superannuation  
Parliament House  
**CANBERRA ACT 2600**

Dear Sir

**INQUIRY INTO PORTABILITY OF SUPERANNUATION**

We refer to your letter of 20 June, 2003 in relation to the inquiry by the Senate Select Committee on Superannuation into the draft Superannuation Industry (Supervision) Amendment Regulations 2003 and the draft Retirement Savings Accounts Amendment Regulations 2003.

As you indicate the deadline for submissions is tight and precludes us from undertaking a detailed consultative process with our National Executive, Branch Councils and members. However, the Australian Industry Group is generally aware of the matters under review and their significance to superannuation fund members, trustees and employers. This applies particularly to the proposed expansion of portability which was previously defined in the Government's Consultation Paper as:-

*"the ability of a member to transfer superannuation benefits from one superannuation fund, approved deposit fund (ADF) or Retirement Savings Account (RSA) to another fund, ADF or RSA....."*

Against this general background the issues we raise for consideration by the Committee are:-

1. To the extent that the proposals seek to reduce problems currently associated with multiple accounts for individuals we support appropriate, cost effective solutions facilitating consolidation of such accounts. The consolidation should occur in that fund which receives the compulsory employer contribution and would be enhanced if existing barriers such as unnecessary delays by some funds in implementing transfers, and/or the existence of unreasonably high exit fees, were removed. As such the 90 day provision within draft regulation 6.34 of the SIS Amendment Regulations 2003 will assist and could possibly even be shortened, whilst a reasonable cap should be considered on exit fees.

2. It is important, however, that any measures designed to address the issue in 1. above are **not** intended or allowed to :-
- operate as a “*de facto*” method of prematurely introducing the broader choice of funds proposal,
  - unnecessarily increase general administration costs to the detriment of fund members and/or employers,
  - unintentionally facilitate inappropriate transfers due to inadequate consumer education and/or incomplete or misleading advertising.
3. On our reading of the **draft SIS Amendment Regulations 2003** and after discussions with other organisations we believe that the provisions for “*Request for rollover of withdrawal benefit*” in draft regulation 6.33 can operate to largely allow **unrestricted transfers of accrued withdrawal benefits between approved funds**. This may result in material disadvantages for fund administration and benefits, as well as possibly causing investment allocation and liquidity problems for funds which may not be entirely satisfied by the suspension provisions of draft regulation 6.37.
- Given these problems we again restate part of our submission of 30 August, 2002 on the Choice of Superannuation Funds Bill 2002 when we stated, inter-alia, that there is an important need for “*provision of a comprehensive and effective education campaign by the Federal Government, together with greater transparency, simplicity and consistency in prospectus material on issues such as fees and investment performance (both historical and projected)*”. **Irrespective of how portability and choice of fund are ultimately structured the fundamental requirement for informed choice on fund selection (original or transfer via portability) remains.**
4. We are unaware of any compelling evidence clearly establishing significant limitations in the current arrangements that could possibly justify the extent of the change provided by the draft regulations.
5. Ai Group also retains some reservations about the broad use of Retirement Savings Accounts as suitable superannuation investments for many Australians.

We trust the foregoing is of assistance to the Committee.

Yours sincerely,



**R N HERBERT**  
Chief Executive