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RECEIVED
16 JUL 2003
Senate Superannuation Committee

14 July 2003

Mr Stephen Frappell
Acting Committee Secretary
Senate Select Committee on Superannuation
Parliament House
CANBERRA ACT 2600

Dear Mr Frappell,

Re: Inquiry into Portability of Superannuation

Thank you for the opportunity to make a submission to the Inquiry into the draft Superannuation Industry (Supervision) Amendment Regulations 2003.

The ACTU supports requiring superannuation funds to comply with a member's request to roll over all or a part of the member's accrued benefits to another fund where this applies to the member consolidating multiple superannuation accounts into their active account. The ACTU has been concerned about the unreasonable delays or outright refusals which some members have experienced when they have attempted to consolidate their superannuation accounts by withdrawing benefits from a fund in which they are no longer active and which no longer receives employer contributions on their behalf.

While setting a 90 day maximum period for compliance represents an improvement on the current situation, the ACTU submits that this could reasonably be reduced to 30 days.

The ACTU supports consolidation of accounts because of the savings which are available to members who would otherwise be paying multiple administration fees. However, where a fund is able to charge large exit fees, this militates against the benefits of consolidation. For this reason, the ACTU submits that the Regulations should contain a provision limiting the exit fees charged to no more than an amount reasonably calculated to cover the actual expense to the fund of processing the transfer.

For the same reason that it supports consolidation of multiple superannuation accounts into a member's active account, the ACTU does not support facilitation of transfer from an active superannuation account into another fund. The ability to transfer contributions in this way does not address the issue of consolidation, but appears to be an attempt to implement the Government's choice of fund policy without any safeguards.

The effects of providing for transfers from active accounts would include:

- Expense for the member each time a transfer was effected;

- A need for funds to impose exit fees and deal with the complexity of regular transfers from accounts;

- Members making decisions to regularly transfer contributions from their active account to another fund without the benefit of adequate education or disclosure to allow for a properly informed decision;

- Possible effects on liquidity and consequently on investment strategy for some funds;

- Where employers contribute to a fund in compliance with an award or certified agreement, the effect of that legal provision would be nullified.

For this reason, the ACTU submits that the regulations should be amended to make it clear that funds are not required to transfer from active accounts where employers continue to make contributions on behalf of the member into the fund..

Yours sincerely,

Linda Rubinstein
SENIOR INDUSTRIAL OFFICER