

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

**ROUNDTABLE ON CHOICE OF  
SUPERANNUATION FUNDS**

SENATE SELECT COMMITTEE ON SUPERANNUATION  
AND FINANCIAL SERVICES

MARCH 2000

© Commonwealth of Australia 2000

ISBN 0 642 71063 5

This document was printed by the Senate Printing Unit, Parliament House, Canberra

## MEMBERSHIP OF THE COMMITTEE

Senator John Watson	Chair	Tasmania
Senator the Hon Nick Sherry	Deputy Chair	Tasmania
Senator Lyn Allison		Victoria
Senator Grant Chapman		South Australia
Senator Stephen Conroy		Victoria
Senator John Hogg		Queensland
Senator Ross Lightfoot		Western Australia

### Secretariat

Secretary	Sue Morton
Principal Research Officer	Robyn Hardy
Principal Research Officer	Celia Tancred (Inquiry Officer)
Executive Officer	Saxon Patience

### Committee address

The Senate  
Parliament House  
CANBERRA ACT 2600

Telephone (02) 6277 3458  
Facsimile: (02) 6277 3130  
Email [super.sen@aph.gov.au](mailto:super.sen@aph.gov.au)

This report is also available on the Internet at: <http://www.aph.gov.au/senate/>



## TERMS OF REFERENCE

On 22 September 1999 the Senate resolved that:

- (1) A Select Committee on Superannuation and Financial Services be appointed with effect on and from 11 October 1999, with the same functions and powers as the Select Committee on Superannuation appointed by resolution of the Senate on 5 June 1991, and reappointed on 13 May 1993 and 29 May 1996, except as otherwise provided in this resolution.
- (2) The committee inquire into matters pertaining to superannuation and financial services referred to it by the Senate and inquire initially into:
  - (a) prudential supervision and consumer protection for superannuation, banking and financial services;
  - (b) the opportunities and constraints for Australia to become a centre for the provision of global financial services; and
  - (c) enforcement of the Superannuation Guarantee Charge;and report on paragraphs (a), (b) and (c) by the last day of sitting in June 2000.
- (3) The committee have power to consider and use for its purposes the minutes of evidence and records of the Select Committee on Superannuation appointed in the previous three Parliaments.
- (4) The committee consist of 7 senators, 3 nominated by the Leader of the Government in the Senate, 3 nominated by the Leader of the Opposition in the Senate and 1 nominated by other parties or independent senators.
- (5) The nomination of the final member to be determined by agreement between the other parties and independent senators and, in the absence of agreement, duly notified to the President, the question of representation on the committee of other parties or independent senators be determined by the Senate.
- (6) The Senate, by subsequent resolution, appoint a member of the committee as its chair.



# TABLE OF CONTENTS

<b>PREFACE .....</b>	<b>XI</b>
<b>ABBREVIATIONS.....</b>	<b>XIII</b>
<b>CHAPTER 1: INTRODUCTION TO THE INQUIRY.....</b>	<b>1</b>
Background to the legislation.....	1
Previous Committee’s report.....	2
Status of the legislation .....	3
Developments since the previous report.....	4
Roundtable initiative .....	5
<b>CHAPTER 2: THE ROUNDTABLE FORUM.....</b>	<b>7</b>
Conduct of the roundtable .....	7
Experience of choice in the states.....	7
Issues addressed.....	9
<b>CHAPTER 3: OPTIONS FOR THE FORM OF CHOICE.....</b>	<b>11</b>
Introduction .....	11
Option 1 - Limited Choice of Four Funds.....	11
Option 2 - Unlimited Employee Choice.....	11
Option 3 - Certified Agreement/Award Fund .....	12
Views on choice .....	12
Views on options .....	13
Summary.....	16
<b>CHAPTER 4: PRECONDITIONS FOR THE INTRODUCTION OF CHOICE – DISCLOSURE AND EDUCATION .....</b>	<b>17</b>
Introduction .....	17
Disclosure .....	17
Industry views .....	17
Service provider views .....	18
Consumer groups.....	19
Timing on disclosure.....	20
Education and awareness.....	20
Nature of information.....	21
Source and level of funding for education campaign.....	22

Timing of the education campaign.....	23
Summary.....	24
<b>CHAPTER 5: E-COMMERCE .....</b>	<b>25</b>
Introduction .....	25
Impact on costs .....	25
Need for standardised protocols .....	26
Australia’s readiness for e-commerce .....	27
Summary.....	28
<b>CHAPTER 6: OTHER IMPLEMENTATION ISSUES .....</b>	<b>31</b>
Introduction .....	31
Default fund.....	31
Selection of the default fund .....	32
Insurance.....	34
Continuity of cover.....	34
Cross-subsidies in industry funds.....	35
Cost of insurance cover .....	36
Level of insurance cover .....	37
Asset allocation .....	39
Summary.....	43
<b>CHAPTER 7: PRUDENTIAL SUPERVISION AND CONSUMER PROTECTION.....</b>	<b>45</b>
Introduction .....	45
Commission based selling .....	45
Twisting, churning and third line forcing.....	46
Enforcement powers .....	48
Dispute resolution.....	49
Summary.....	51
<b>CHAPTER 8: INVESTMENT CHOICE.....</b>	<b>53</b>
Introduction .....	53
Take-up rate.....	53
Education.....	54
Costs .....	55
Account balance .....	56
Summary.....	56



<b>CHAPTER 9: TIMING .....</b>	<b>57</b>
Introduction .....	57
Start-up timing .....	57
Staged start -up .....	59
Summary.....	60
<b>CHAPTER 10: OVERALL SUMMARY .....</b>	<b>61</b>
Options .....	61
Disclosure and education .....	61
E-commerce .....	61
Other implementation issues .....	61
Prudential supervision and consumer protection .....	62
Investment choice.....	62
Timing.....	62
<b>APPENDIX 1: LIST OF WITNESSES.....</b>	<b>65</b>
<b>APPENDIX 2: LIST OF SUBMISSIONS.....</b>	<b>67</b>

