

CHAPTER 10

OVERALL SUMMARY

10.1 Evidence to the roundtable provided the Committee with a broad spectrum of views on a range of important issues surrounding the possible introduction of a choice regime. Views fell into three broad categories: those who support fund member choice with few reservations; those who believe that fund member choice will not be in the interests of fund members; and those who believe fund member choice can be made workable subject to a range of conditions being met. Although not all parties were in agreement on all issues, there were some areas in which witnesses generally agreed. These are summarised below.

Options

10.2 Recognising that some participants were opposed to the concept of choice, there was a body of opinion that, should it be introduced, the option favoured by the majority was for unlimited choice. Support was also expressed for the award fund as an alternative.

Disclosure and education

10.3 Most witnesses agreed that, for consumers to be able to make informed choices, there was a need for an appropriate and standardised disclosure regime and an extensive awareness and education campaign. There was also agreement that the disclosure regime should come well before the commencement date for choice. However, different views were expressed on the timing of the education campaign.

E-commerce

10.4 Witnesses generally agreed that e-commerce had the potential to reduce administration costs, for some fund members and some employers, particularly if standard protocols were in place. While some witnesses queried Australia's readiness for e-commerce, and pointed to the difficulties likely to be experienced by small business, others pointed to the significant cost and other advantages which were likely to be derived.

Other implementation issues

10.5 A number of other implementation issues were raised by participants. Witnesses generally supported maintaining the existing practice of the default fund being the relevant award fund where there is award coverage; and where there was no award coverage, the favoured option was that the majority fund in the workplace be the default fund.

10.6 The arrangements to ensure continuity of insurance cover, the need to address the problems of cross-subsidies and the questions of the cost and level of insurance cover, were also emphasised by witnesses. A number of witnesses also recommended that asset allocation be a minimum standard for default funds.

10.7 Almost all witnesses favoured monthly, or at least quarterly, contributions by employers to employee superannuation funds, instead of the current annual contribution. Some witnesses pointed out that there were advantages, particularly for small business, to contribute quarterly to be more consistent with taxation requirements.

Prudential supervision and consumer protection

10.8 Evidence to the Committee was also strongly in favour of appropriate prudential supervision and consumer protection measures, in addition to those provided by full disclosure and adequate education, to address the issues of commission based selling, and other related practices. There was also general agreement on the need for an effective dispute resolution mechanism, with a number of suggestions being made to address the capability of the current mechanisms.

Investment choice

10.9 Witnesses drew attention to the increasing number of options for investment choice, but pointed out that the take-up rates varied among funds offering investment choice. The main factor for this appears to be a lack of awareness and education in relation to the range of investment available; other factors include the possible costs involved in switching between investments and account balance.

Timing

10.10 While there were many different points of view expressed on the timing of the introduction of a choice regime, there was general agreement that:

- implementation be a staged process;
- the first stage be no earlier than 1 July 2001;
- whatever date is chosen be dependent not only on the finalisation of the legislation and prudential supervision regulations, but also on an appropriate and standardised disclosure regime and the conduct of an appropriate education program;
- the start-up date be 12 months after the finalisation of the above (including the CLERP 6 reforms) as well as other measures being in place such as standard protocols for e-commerce); and

- there was a probable need to defer the extension of choice to defined benefits funds because of the difficulties which would be involved in identifying what should be transferred and when.

10.11 The Committee again thanks those who contributed to the roundtable, as the discussion has been very helpful in canvassing views on this complex matter.

10.12 The lessons learnt from the experience in Western Australia and other states have also been extremely beneficial in considering the requirements associated with choice from a federal perspective.

Senator John Watson

Committee Chair

