

7th December 2001

FAXED

Senator John Watson
Chair
Senate Select Committee on Superannuation and Financial Services
Parliament House
CANBERRA ACT 2600



Peter Andren M.P.
Federal Member for Calare

Dear Senator Watson,

RE: EARLY ACCESS TO SUPERANNUATION INQUIRY

I offer this letter as my submission to your inquiry into the early release of superannuation.

I want to preface my remarks by expressing concern at the way this inquiry has been advertised and promoted, and at the omission from the discussion paper of any reference to the double standards which still apply to the early release of superannuation for Commonwealth Members of Parliament.

Double Standards Untenable

As members of your Committee are aware, the Government recently increased to 55 years the age at which MPs may access their superannuation. However, members who entered Parliament before this change can still access their entitlement prior to reaching retirement age, and without having to satisfy the early release tests that apply to other workers. Not only that, but those MPs who qualify for a pension under the Parliamentary Scheme may still access up to 50% of their entitlement as a lump sum, regardless of their age or employment status.

For any Parliamentary inquiry examining the appropriateness of the laws governing the early release of superannuation to have legitimacy, it must also address the anomalies that continue to exist in the early access rules for Commonwealth MPs compared to the broader workforce.

I therefore hope that in assessing the effectiveness of the rules governing the early release of superannuation, your Committee can explain to the public why it is that the laws Parliament has imposed on the broader workforce do not apply to the people who made them.

Ineffective Advertising

Since the objective tests for early release of superannuation were introduced in December 1997 my office has assisted upwards of 100 constituents in their efforts to obtain release. I can safely say that of these people, not one would have been a reader of either the Australian or the Financial Review (the publications I understand the inquiry was advertised in).

From reading the discussion paper it is clear there are two groups most likely to be interested in the Inquiry's terms of reference – the funds (who administer parts of the release rules) and their members (especially those who have tried to obtain the early release of their superannuation). However, due to the way the Inquiry has been advertised, I would be very surprised if more than a handful of submissions are received from fund members.

Please address
correspondence to:

P.O. Box 181
BATHURST NSW 2795
(Suite 2, The Reliance Centre
203-209 Russell Street)
Tel: (02) 6332 6229
Fax: (02) 6332 6240
Toll Free 1800 806 617

Parliament House
CANBERRA ACT 2600
Tel: (02) 6277 2341
Fax: (02) 6277 8471

60 Main Street,
LITHGOW NSW 2790
Ph/Fax: (02) 6351 3638

email:

Peter.Andren.MP@aph.gov.au

Website:

www.peterandren.com

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While I recognise the Parliament's committees have limited advertising budgets, one of their main purposes is to involve the public in the legislative process. If this Inquiry cannot obtain the views of those most affected by the laws (people who have tried to obtain early release) then one wonders what sort of legitimacy it can have.

Comments On The Early Release System

As stated above, since December 1997 my office has assisted many constituents in their effort to obtain early release of some or all of their superannuation.

The reasons people have sought my assistance vary, but generally they have been faced with a financial crisis caused by the loss of work, loss of a home, the death or severe illness of a family member, or other reasons.

Typically, by the time they approach my office they have had the run-around by their fund, or by APRA and can't wait any longer for the situation to be sorted out. They have turned to their super as a last resort, and their MP for advice and/or advocacy.

At that moment, sorting out the problem that has caused them to seek early release of their superannuation is invariably the most important thing in their life. They often express concern that their funds and APRA do not properly appreciate the desperation of their circumstances and that the rigid objective tests do not allow for the range of expenses that may arise because of the crisis at hand.

For example, a family with a very ill child may need to access funds not only to help pay for medical treatment, but also to help cover costs incurred by a parent travelling to be with his or her child, or living expenses incurred after treatment while caring for the child.

The vast majority of people seeking assistance come from what policy makers would describe as lower socio economic backgrounds. More often than not their superannuation entitlements are relatively small – 5, 10, 20 thousand dollars. Often, if they are unable to access some of their super they are forced to meet their obligations through obtaining credit (which puts them further into debt) or to wipe their hands of it all by filing for bankruptcy (though I note the Government is now moving to lift the bar for bankruptcy too).

In answer to Question 2 on page nine of the discussion paper:

Is there a perception amongst members of the public that their superannuation benefits are 'their' money, which should be available for their use whenever required? Does this create a problem for superannuation funds? If so, what might be done to overcome this perception?

I can confirm that for the majority of complainants my office has dealt with, they do view their accrued superannuation as "their" money, not necessarily to be accessed whenever required, but as a source of funds to turn to as a last resort. Given the predicaments they are faced with I do not think it is unreasonable for them to view their super this way, especially given that they have earned it.

As an example of the type of cases we are talking about I include an edited extract from the application submitted to APRA by one of my constituents. The name has been withheld for obvious reasons:

"My child (name withheld) took his own life in (date withheld). I had to obtain a bank loan to pay for the funeral and related expenses. I still owe money on the vehicle he used to gas himself in and it is a constant reminder of the tragedy. I am in a constant state of deep depression and do need assistance to clear such a debt to help take the stress away of meeting repayments. I am making this application on compassionate grounds and release of a portion of my superannuation will greatly assist the wellbeing of myself and family."

APRA authorised an initial amount within weeks. However, problems then arose when my constituent tried to obtain a further amount to help pay for other expenses incurred in relation to the funeral. The constituent was in such a state that he couldn't deal directly with my office, let alone with APRA or his fund.

In the end he gave up because the process was so stressful to him, and APRA's application of the laws so apparently black and white.

Conclusion

Invariably, constituents affected by these laws demonstrate an understanding that the fundamental purpose of superannuation is to provide for their retirement. However, they also strongly believe that there are instances where release should be permitted.

The current rules recognise this. However, more can be done to streamline the system so people who do satisfy the requirements can have their funds released as quickly as possible. As demonstrated above, the types of cases we are talking about are of people in crisis. Delays in releasing funds can compound the stress experienced by applicants, whereas prompt release can make all the difference.

One way of speeding up the process may be to remove the decision making responsibility in financial hardship cases away from the funds and vesting it in APRA. Constituents often express concern to me at the time taken by the funds to process their applications, and according to the Inquiry's discussion paper the funds aren't happy with the current arrangements either.

If responsibility rests with APRA, applicants need only deal with the one organisation and the cost of administering what is really government policy, can be born by the whole community, rather than just by the other members of the funds.

From my experiences dealing with affected constituents, the level of awareness of the rules governing early access amongst them is not high. In most cases, people don't seem to become aware of the rules until they try to gain access. In this regard, the Committee could do worse than talk to APRA about what efforts it has taken to increase public awareness about the laws, and about why it is that the Government has put hurdles in place to limit the circumstances in which early release of superannuation is allowed.

I hope these points are of interest to your Committee and look forward to reading its report.

Yours sincerely,



PETER ANDREN
Federal Member for Calare