

Early Access to Superannuation Benefits

Response to Senate Discussion Paper

From HortSuper

***Introduction.** HortSuper is an industry fund governed by a Trustee Board that meets on a monthly basis, and with sufficient needs for a Claims Committee to also meet on a monthly basis to review claims. Despite that structure, the Fund holds the view that SG/Award superannuation has been introduced to provide retirement benefits to members of the Australian workforce, and should be preserved until the normal retirement date. With that viewpoint a number of the questions do not call for other comment or response. It is also noted that HortSuper is the Fund referred to in Section 3.10/3.11.*

Responses:

Q1. The principle of preservation is somewhat impaired by the availability of early release, but is severely impaired by the considerable variation in the application of rules for early release – from approving nothing in the case of one very large fund, to approving everything without question as practised by one large bank fund. It would be better if early release was not available at all, but that the rules for compassionate grounds be slightly enlarged and APRA make all determinations. With the proviso that APRA be adequately staffed and sufficiently instructed to consider each request on a case by case basis – not, as was practised under the former rules with ISC, that claims under a certain amount get ‘rubber stamped’ without viewing.

Q2. There is such a perception amongst members of the public – and indeed by many financial advisers and/or media contributors – that the superannuation account is the member’s money and should be available at any time. We believe that the majority of superannuation money has been contributed by employers to provide for benefits in retirement – not to pay bills earlier. Much greater awareness of the principles of superannuation and preservation must be conveyed to the general public. A major education programme is needed. Alternatively, if early release was no longer available (refer Q1) the problem will eventually go away, but again education would be needed.

Q3. For this Fund, the value of funds released under financial hardship does not exceed 2% of total funds paid out or transferred.

Q4. Whilst we may not experience the same level of administration costs as Tasplan (20% of admin costs) in handling financial hardship claims, there is no doubt that an unreasonable proportion (in relation to total funds under management and total member numbers) of time and energy is occupied by the regular number of requests received each month. Our Administrators estimate this to be in the range of 7 ½ -10% of admin costs. In addition to admin costs, a considerable amount of time is spent by the Fund Secretariat, the Trustee Board and Claims Committee in dealing with the requests. Contrary to the comments on section 3.11 of the Issues Paper, we **do** consider requests on a case by case basis.

Q5. The number of claims has increased since 1997, and will continue to do so as member balances grow, and as more and more are made aware of the option of early release.

Q6. Yes – see answer to Q1.

Q7. All funds should have the same provisions.

Q8 & 9. No additional comment – cf Q1.

Q10. Any form of standard proof could be useful – but would go against the views of SCT which espouse reviewing all on a case by case basis.

Q11. We do not seek information about membership of other funds at the time of reviewing claims. Perhaps we should – or perhaps a Statutory Declaration denying the existence of other superannuation accounts should be mandatory.

Q12. The test as viewed by this Fund did seem appropriate, and we advised members some matters that could not be included, but our view was overturned by SCT. So we now support the view that the test should be more strictly defined.

Q13. The genuineness is always the biggest difficulty.

Q14/15. The limits seem Ok, but haven't been varied (due to inflation etc) in some years. Whatever limits are set, there will always be cases outside the guidelines that deserve attention.

Q16 – 25. As noted above, it would be preferable to have the grounds for compassionate release expanded to cover some areas of property maintenance and infant care, and early release for financial hardship reasons removed entirely.

Q26 - 28. In the same way that different funds view early release in different ways, different social security bodies/Centrelink offices, have varying positions. By removal of availability of early release on financial grounds those inconsistencies will disappear.

Q29. We believe the public is aware of the SCT role. We include details in our annual reports, and we advise all members at the time of reviewing claims for early release.

Q30. The Tribunal seems to spend more time on insurance related matters than on financial hardship. The Tribunal is stated as 'hearing' complaints relating to Trustee decisions, yet it does not 'hear' any response to decisions of the Tribunal.

Q31. The Tribunal – in all its forms/individuals should hold sessions in all parts of Australia (perhaps as part of ASFA, AIST or CMSF gatherings) to allow Trustees and Fund Executives to meet and obtain an understanding of how/why some decisions are made.

Q32. Not aware of any.

Q33. The assistance of financial advisers in assisting claims for early release on financial hardship grounds should not be available – or at least should a service for which no payment may be made or received.

Q34. Not aware of any.

Ken Peters
Fund Secretary
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