

## **Senate Select Committee Inquiry into**

### **Early Access to**

### **Superannuation Benefits**

#### Introduction

SMF Funds Management Limited was invited to make a presentation to this Senate Select Committee by Sue Morton.

SMF is an Australian owned and operated company providing superannuation administration to over 75,000 members. We specialise in the provision of superannuation for both personal and mid size corporations.

I am delighted as a director of SMF to have an opportunity to meet and discuss how the current system is working. As a director of an approved trustee, I actually do review files and assist in the approval process of claims. Granted though many are now routine given the APRA guidelines for amounts less than \$5,000.

While I acknowledge the committee has received a number of excellent industry submissions, some of whom our company has provided impute too, it is perhaps of value to members of the committee to hear first hand from a medium size industry participant who has a focus in the retail master fund area.

The key points that I would like to discuss with the committee are:

1. We believe that the exiting system appears to be open to rorts and misuse by members. In fact we would go as far to say that a "domino" effect has now commenced in that some members have become well educated as to how simple it is to gain access to multiple funds. This group will simply spoil the process for the very genuine cases we all know exist.
2. The government agencies that control the issue of Q230 letters appear to us to have very little control, time and or desire to assist the members concerned, given their busy schedule in meeting the needs of the public at large.
3. We believe despite members completing a statutory declaration, that the level of information being obtained and reviewed is open to fraud, duplication and manipulation by some members of the public, eg accounts copied, lack of true sourced accounts and efforts to wrapped into a total credit account balance etc. Trustees have difficulty determining if past accumulated debit was from a holiday or payment of a power bill and or rent payment. While the guidelines are of great assistance, it is difficult for trustees to determine the genuine expenses without additional research.

4. The time taken by trustees and their staff in reviewing claims is excessive and to our point of view unreasonable. The pressure applied by some members on our staff to assist during these difficult times is quite often intense. To overcome many of these issues some Trustees have taken the easy way out in closing this option all together for members. This approach only passes the difficulty onto another fund as members transfer to an alternative fund to gain release. In short legislation should cover all funds or none, there should not be a half way house. This could be achieved by legislation to overcome the legal uncertainty that currently exists.
5. Where funds are paid to members to meet expenses, provisions should be made to ensure that government agencies have some form of control over these funds, for the Trustee of the fund has no guarantee that the funds will actually be applied for the purpose proposed, eg debit reduction, payment of rent etc

In summary the current position is costly to administer, has in our view now reach a point where it is being abused by some, defeats the governments intention for the long term provision of retirement benefits, provides for an easy option for some trustees to simply "pass the buck".

What to do?

Either all funds have the same rules under legislation or  
cease hardship claim releases altogether.

If the Government wish to retain then:

1. Claims should be for "compassionate grounds" only and be determined by the government agency who has the ability to assess the facts, particularly the genuine nature of the case.
2. When funds are released there should be an appropriate control or at the very least a central record with the government agencies to ensure the end objective is being met by the release of funds.

I have included in our paper today the response to the questions proposed by the committee.

Thank you for the opportunity to met with the committee and to present this first hand account of our experiences.

Ian Griffiths  
Executive Director  
SMF Funds Management Limited  
13<sup>th</sup> December 2001

## Senate Select Committee

### Response to the questions raised

1. Yes. Early release should be available on Compassionate Grounds only and assessment should be by the appropriate government agency.
2. Yes. Yes. SG is considered
3. \$458,000 of \$3,300,000 early release benefits or approximately 14%. (Note early release includes Hardship, Compassionate, Death and TPD).
4. Significant. 67% of early release cases are hardship applications but they represent only 14% of the money released.
5. Increased. There seems to be general community awareness that super can be accessed early.
6. Yes. Stop hardship releases or transfer assessment to the responsible government agency.
7. All funds should be compelled by SIS to release hardship subject to government policy to allow early release on hardship grounds.
8. No. SMF's position is that hardship releases should not be available but if they are then it's up to the government to decide which benefits make a person eligible for hardship release.
9. It doesn't seem to be the case in our experience.
10. SMF believes assessment should be done by the government agency that is currently providing the member with income support.
11. Yes. As pointed out in our introduction, there is a potential for rorts and the trustee must rely on the utmost good faith of the applicant to correctly disclose information on the application.
12. Yes. Yes the guidelines are adequate. SMF do not believe that it is practical to rigidly define "hardship". Each case is different and we feel this is an environment where discretion, within a broad framework, is the best practice.
13. Yes. Delete hardship or if hardship remains in place transfer the assessment to the hands of the government agency which currently issues the Q230 letter, after all they are the ones that are actually aware of the personal situation of the member and the family involved.

31. SCT to answer.

32. SCT to answer.

33. No. In our experience members know that early release is available. SMF continue to advise/educate our members to the availability of hardship releases by both noting in offer documents and in Annual Reports to members.

34. Yes. We do not pay funds to third parties. Bank account details are checked for accuracy before payments are credited.

Ian Griffiths  
Executive Director  
SMF Funds management Limited

Phone: 6215 5906  
e-mail [igriffths@smf.com.au](mailto:igriffths@smf.com.au)