
Glossary

The following abbreviations and acronyms are used throughout this explanatory memorandum.

<i>Abbreviation</i>	<i>Definition</i>
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SIS Regs	<i>Superannuation Industry (Supervision) Regulations 1994</i>
RIS	Regulation impact statement

General outline and financial impact

Intra-fund consolidation of superannuation interests

Schedule X of this Bill expands the duties of superannuation trustees in the SIS Act to include intra-fund consolidation where members have multiple interests within the fund.

Date of effect: This measure will commence on 1 July 2012.

Proposal announced: This measure was announced on 21 September 2011 as part of the Government's Stronger Super package of reforms.

Financial impact: None

Compliance cost impact: Medium.

1.1 Although the legislation refers to member 'interest', this Explanatory Memorandum will also use the term 'account' so as to be readable. The two terms are usually synonymous, except in this case of some hybrid accounts, where a member has both an accumulation interest and a defined benefit interest.

1.2 The measure requires trustees to consolidate multiple inactive accounts within their fund on an annual basis, and to publish procedures for this. Trustees will not be allowed to charge fees for this process, and will be subject to a strict liability penalty if they do not comply.

Summary of regulation impact statement

Impact: This Schedule expands the duties of superannuation trustees to establish a procedure to consolidate inactive member interests within a fund, where possible.

The RIS for Stronger Super implementation can be found at <http://ris.finance.gov.au>. The relevant section of the RIS covered in this Bill is section 3 of the SuperStream Appendix.

The measure will not be subject to a post-implementation review.

Chapter 2

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

Schedule X to the Bill

2.1 This Schedule is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview

2.2 Schedule X to the Bill expands the duties of superannuation trustees in the SIS Act to include intra-fund consolidation where members have multiple interests within the fund.

2.1 This amendments place a duty on trustees to establish procedures in relation to the consolidation of multiple member interests within their fund on a periodic basis. This will facilitate a steady reduction in the number of unnecessary multiple interests in the superannuation system.

Human rights implications

2.2 Schedule x does not engage any of the applicable rights or freedoms.

Conclusion

2.3 This legislation is compatible with human rights as it does not raise any human rights issues.

**Minister for Financial Services and Superannuation and
Employment and Workplace Relations – the Hon. Bill Shorten**

Chapter 3

Intra-fund consolidation of superannuation interests

Outline of chapter

- 3.1 Schedule X to this Bill amends Part 12 of the SIS Act.
- 3.2 The amendments place a duty on trustees to establish rules, whether by inclusion in the governing rules or otherwise, setting out a procedure for consolidating a member's inactive interests within their fund on an annual basis.
- 3.3 The rules are to be published to enable the fund's members to become aware of the consolidation procedure.

Context of amendments

- 3.4 There is a strong public interest in ensuring the Australian superannuation system operates effectively to invest retirement savings with the ultimate goal of providing adequate benefits to members in their retirement.
- 3.5 Despite this, there is evidence that many Australians are not proactive in managing their superannuation. Around 60 per cent of members do not make active choices in relation to their superannuation.
- 3.6 Members can have multiple accounts and be paying multiple sets of administration fees, even within the same superannuation fund. This can happen, for instance, when the member has had a succession of different jobs within a certain industry and has been enrolled in the same default fund on different occasions (with different home addresses or other identifying details).
- 3.7 Lost and unnecessary superannuation accounts can have a significant impact on the savings of the individuals concerned and also add to fund administration costs.
- 3.8 The Government will separately take steps to consolidate accounts with low balances between different funds.
- 3.9 The measure is part of a broader package of reforms called Stronger Super, which form the Government's response to the recommendations in the Cooper Review, which was the review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System.

Summary of new law

3.10 The amendments place a duty on trustees to establish rules, setting out a procedure for consolidating a member's inactive interests within their fund on a periodic annual basis.

3.11 An inactive interest will exist where an account has a withdrawal benefit of under \$1,000, and no contributions, rollovers or transfers have been made to the account for 2 years or more, or the account is a lost account. A lost account is defined within the meaning of the SIS Regs. An inactive interest will also include a member's interest within an eligible rollover fund.

3.12 The procedures are to be published to enable the fund's members to become aware of the consolidation procedure.

3.13 As a minimum, the rules must enable consolidation of inactive accounts within a fund where a member's superannuation interests have the same rights and benefits. This consolidation will occur without the requirement for member consent.

3.14 These provisions will not preclude trustees from having procedures to consolidate multiple accounts that may not be inactive interests. Trustees may choose to consolidate active accounts regardless of their balance.

3.15 A superannuation interest reflects the trustee's records of the superannuation interests, and that as a result of the consolidation process there would be no change in the investment strategies underpinning the member's superannuation interests.

3.16 This measure will only apply to accumulation interests, and not to defined benefit interests.

3.17 This will facilitate a steady reduction in the number of unnecessary inactive accounts in the superannuation system.

Comparison of key features of new law and current law

<i>New law</i>	<i>Current law</i>
Trustees will have a duty to establish rules and procedures to consolidate inactive member interests	Can have multiple member interests
Trustees will have a duty to establish procedures to consolidate inactive member interests on an annual basis	There is no obligation placed on trustees to search for and/or close multiple member interests.

Detailed explanation of new law

3.18 This measure will only apply to accumulation interests, and not to defined benefit interests.

3.19 Schedule X to this Bill will require trustees to establish rules setting out a procedure to consolidate a member's inactive interests within an individual fund and make the members aware of the rules. *[Schedule X, item 2, Subsection 29E(6B) SIS Act] and Schedule X, item 3, Subsection 108A(1)(a) and (c)(i) SIS Act].*

3.20 Trustees must undertake the process of consolidating a member's inactive interests within their fund on a periodic annual basis. *Schedule X, item 3, Subsection 108A(1)(b)(i) SIS Act].*

3.21 These provisions will not preclude trustees from having procedures to consolidate multiple accounts that may not be inactive interests. Trustees may choose to consolidate active accounts regardless of their balance.

3.22 Funds will not be permitted to charge fees when they consolidate accounts. *[Schedule X, item 3, Subsection 108A(1)(b)(ii) SIS Act]*

3.23 Trustees will be guilty of an offence where they fail to establish and publish rules setting out the procedure for intra-fund consolidation. *[Schedule X, item 3, Subsection 108A(2) SIS Act]*

3.24 Where the member holds both a MySuper interest and a non-MySuper interest, the fund must consolidate both into a MySuper interest product. A member's interest that is a MySuper interest and a non-MySuper interest cannot be consolidated unless the non MySuper interest is cancelled. *[Schedule X, item 3, Subsection 108A(1)(d) SIS Act]*

3.25 The Bill provides the powers to create regulations. *[Schedule X, item 1, Subsection 10(1)(a)(iii) and item 3, Subsection 108A(1)(b)(iii) SIS Act]*

3.26 This measure imposes an additional condition on each RSE licensee that relates to a superannuation entity for which the RSE licensee has an obligation under section 108A. The condition is that the RSE licensee must ensure that the rules that that section requires in relation to the superannuation entity are complied with. *[Schedule X, item 2, Subsection 29E(6B) SIS Act]*

Example 3.1

Jack has two superannuation accounts with XYZ Fund. One account is active and one is either inactive or lost to the member. Both accounts have the same benefits attached to them. The fund seeks to consolidate the accounts into one active account within the XYZ Fund.

The fund can consolidate the accounts without Jack's consent on the basis that the benefits in both accounts are the same.

Application and transitional provisions

3.27 [\[Click here and insert text\]](#)

Consequential amendments

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