

Manager
Contributions and Accumulation Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: UnclaimedMoney@treasury.gov.au

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Lost and Unclaimed Superannuation Money

Dear Sir/Madam

The Financial Services Council (FSC) welcomes the opportunity to make a submission in relation to the Lost and Unclaimed Superannuation Money discussion paper.

The FSC represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, private and public trustees. The FSC has over 130 members who are responsible for investing \$2 trillion on behalf of more than 11 million Australians.

The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Overview

The FSC supports the implementation of Stronger Super and SuperStream to assist members to locate lost accounts and reduce unnecessary multiple accounts. These initiatives are important to the ongoing efficiency of the industry and in promoting the increased engagement of members with their superannuation.

The superannuation industry has invested significant resources in SuperStream that will assist fund members to locate super and consolidate accounts. The full range of initiatives, however, which will support members in locating and consolidating their superannuation are only in their early stages.

The discussion paper outlines a range of initiatives that are either now commencing, or have not yet commenced, including:

- SuperSeeker and SuperMatch, which will become fully operative once the necessary data become available after the fund Member Contribution Statements (MCS) of 2012-13 are provided to the ATO;
- Intrafund consolidation, which was legislated on 25 June 2013, and the first round of consolidation will not be completed until 30 June 2014;

- The payment of lost superannuation monies under the increased threshold was completed in May 2013, and the ATO has had no opportunity to include these accounts in their Reuniting Super strategy; and
- Further consolidation initiatives, including auto-consolidation, are still being developed, and expected to be reviewed in late 2014.

The FSC is of the view that these upcoming initiatives to reunite individuals with their lost superannuation should be given sufficient opportunity to have a measure impact on the pool of lost money held by the ATO and superannuation funds.

The FSC also notes that superannuation funds are currently subject to significant and costly reforms that have severely diminished the capacity to consider or implement new initiatives to reunite members with lost superannuation monies. The FSC would oppose policies that require additional compliance or reporting by funds.

Recommendations

The consultation paper seeks views on what other initiatives could be implemented to help reduce the number of lost and unnecessary accounts in the superannuation system.

The FSC notes that, after the 2012-13 MCS report is made to the ATO, the ATO will have access to information on all superannuation accounts in the system. We understand that the ATO is already undertaking activity to locate and reunite people with their lost and unclaimed superannuation, however there is the capacity for the ATO to automate this process once it has data of sufficient specificity to do so.

After the changes to the MCS have effect the ATO will have the largest repository available on total holdings in the industry. This brings with it a responsibility to proactively reunite individuals with their superannuation, particularly where the ATO is aware of an active account held by the individual.

The FSC recommends that the ATO be required to pay lost superannuation monies that it holds into individuals' active superannuation accounts when it can accurately determine that the monies appropriately belong to that individual. The mandatory provision of member TFNs should greatly assist in this process.

This approach would be expected to significantly increase the quantum of monies that would be returned rightful owners. Importantly, however, it would also directly increase the superannuation balances for a significant number of Australian employees and ensure that the investment strategy and growth of lost monies aligns with the individual's chosen (or default) investment strategy.

This approach is consistent with the ATO's proactive role in issuing payments to individuals with lost balances of under \$200 once it has identified the rightful owners of accounts. The FSC does not recommend, however, that payments of lost monies into active superannuation accounts be capped as in this case the funds are sitting within the superannuation system.

The FSC recommends that this approach to reuniting fund members with their lost super should be implemented after the completion of the Stronger Super and SuperStream reforms so as to minimise costs for fund members and to allow current reforms to be bedded down and data quality to be ensured.

Please feel free to contact me on 02 8235 2566 if you have any further questions or comments in relation to this submission.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'BB', is positioned above the printed name.

BLAKE BRIGGS
SENIOR POLICY MANAGER