

Lost and unclaimed superannuation money

Discussion Paper
June 2013

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CONSULTATION PROCESS

REQUEST FOR FEEDBACK AND COMMENTS

The Australian Government announced in the *Mid-Year Economic and Financial Outlook 2012-13* (MYEFO) an increase to the threshold below which lost superannuation accounts are transferred to the ATO from \$200 to \$2,000. At the same time the Government made it clear they would consult on additional ways to facilitate the process of reuniting members with their lost accounts.

On 5 April 2013 the Government announced that it will further increase the account balance threshold below which lost superannuation accounts are transferred to the ATO to \$2,500 from 31 December 2015 and to \$3,000 from 31 December 2016.

As part of this consultation process the Government has now released for public consultation the Lost and Unclaimed Superannuation Money Discussion Paper.

The discussion paper sets out current initiatives taken to reunite members with their lost superannuation accounts and seeks views on opportunities to enhance the existing suite of strategies and new strategies to both reduce the number of lost and unnecessary accounts and prevent the proliferation of these accounts into the future.

MAKING A SUBMISSION

Interested parties are invited to comment on the discussion paper.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

CLOSING DATE FOR SUBMISSIONS: FRIDAY, 28 JUNE 2013

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1. CONTEXT

1. The Government's retirement income policy exists to ensure that all Australians have an adequate and secure retirement income.
2. At June 2012 there were almost 32 million superannuation accounts in Australia which is almost three accounts for every worker. This suggests many Australians have multiple superannuation accounts and are paying multiple sets of administration fees and insurance premiums. Lost and unnecessary superannuation accounts can increase fees and reduce the retirement savings of the individuals concerned. They can also add to fund administration costs.
3. Similarly, members may be paying multiple insurance premiums, even in cases where they are no longer eligible for a payout (for instance, because they are no longer employed), or they are not eligible for more than one payout. It is common for group insurance policies to specify that they will not pay out more than once, even if the member has been paying multiple premiums.
4. Having multiple unnecessary accounts also increases the risk an individual will lose track of their retirement savings, particularly lower balance accounts.
5. In the *Mid-Year Economic and Fiscal Outlook 2012-13* (MYEFO), the Government announced that the account balance threshold below which lost member accounts, are required to be transferred to the Australian Taxation Office (ATO) would be increased to \$2,000. This is intended to preserve the value of lost member accounts in the super system and ensure that more of these accounts are reunited with their owners.
6. As part of the package of reforms announced on 5 April 2013 to make the superannuation system fairer, the Government announced that it will further increase the account balance threshold below which lost member accounts are transferred to the ATO to \$2,500 from 31 December 2015, and to \$3,000 from 31 December 2016.
7. People can reclaim superannuation accounts transferred to the ATO at any time. In addition to the above reforms, the Government announced that it will pay interest at a rate equivalent to Consumer Price Index (CPI) inflation from 1 July 2013 on all superannuation accounts reclaimed from the ATO.
8. In keeping with the commitment to consult further made as part of the announcement in the 2012-13 MYEFO, the purpose of this paper is to seek views on additional ways to facilitate the process of reuniting members with their lost and unclaimed super accounts.

2. BACKGROUND

9. The Government has put in place a number of initiatives to help reunite members with lost super accounts. These initiatives have proven highly successful, with the value of lost super held by funds falling by 17 per cent (from \$20.2 billion to \$16.8 billion) and the number of lost accounts falling by 32 per cent (from 5.0 million to 3.4 million) in the 12 months to

30 June 2012. ATO held monies increased over the same period by 18 per cent (from \$729.5 million to \$886.9 million).

3. SUMMARY OF INITIATIVES TO RE-UNITE PEOPLE WITH THEIR SUPER AND REDUCE THE NUMBER OF UNNECESSARY ACCOUNTS

3.1 SUPERSEEKER

10. SuperSeeker is a secure online tool accessible via the ATO website that was originally established to allow people to locate lost super. Over the last 18 months, the ATO has enhanced this tool and it now allows individuals to:
 - check current super accounts that money has been paid into in the last two financial years;
 - find any lost super held by funds;
 - find any ATO-held super; and
 - consolidate other super accounts into their preferred super.
11. Individuals can perform simple searches to find lost and ATO held super and by completing a higher level of authentication to access additional account information and request transfer of funds to other superannuation accounts.
12. Between 1 July 2012 and 30 April 2013, there have been over 1.1 million successful simple searches undertaken with around 324,000 people finding their lost super. In addition, 400,000 people have registered using the higher level authentication; initiating around 28,000 electronic portability forms and just over 10,000 paper portability forms to consolidate accounts or transfer ATO held monies to super funds.

3.2 UNCLAIMED SUPER

13. In addition to lost member accounts held by funds, the ATO held unclaimed super of around \$887 million as at 30 June 2012. Of this, \$466.9 million related to former temporary residents.
14. Apart from displaying these accounts on SuperSeeker where a Tax File Number (TFN) is known, the ATO has commenced making proactive payments of unclaimed super under \$200 directly to individuals. These amounts can be paid as they are not required to be retained in the superannuation system. The ATO uses current address data sourced from the lodgement of information by individuals and third party data providers to issue these payments. Between June 2012 and 31 March 2013 372,600 proactive payments were made to individuals totalling \$27.3 million (with an average payment of \$73.00).
15. Since 2011, the ATO has, where possible, been providing funds with addresses for their lost members as part of the heir Reuniting Super strategy. The provision of these updated addresses enables the fund to re-establish contact with the lost member and remove them

from the lost member register. Since 2011 the ATO has provided over 3 million current addresses to funds, with an account value of over \$17 billion.

16. Based on the success of the address data exercise, the ATO has also provided funds with details of 12,500 deceased clients (account values of \$80 million) so that the funds can follow up the executor of the estates or forward the account balances to the ATO as part of unclaimed monies. Similarly, the ATO also provided funds with details of 58,000 members (account values of \$469 million) who are over 65 years of age to consider whether the amounts should be paid to the ATO as unclaimed money.

3.3 NEW EMPLOYEE ENROLMENT PROCESS

17. As part of the Stronger Super announcement the Government recommended enhancements to the new employee enrolment process to ensure that new employees consider account consolidation or using an existing superannuation account when commencing new employment. The ATO is currently exploring ways to make it easier for individuals to choose a fund at the point of commencing new employment to prevent the proliferation of unnecessary accounts. This includes leveraging the SuperSeeker tool and account information, including inactive account information which will be supplied progressively with the bulk by 31 October but with SMSF's having later lodgment dates in most cases.

3.4 ACCOUNT CONSOLIDATION

18. The Government recently introduced legislation (*Tax and Superannuation Laws Amendment (2013 Measures No. 2) Bill 2013*) to expand the duties of superannuation fund trustees to consolidate multiple accounts held by the same member within their fund accounts on an annual basis when it is in the member's best interest. This measure is expected to commence on 1 July 2013 with the first round of consolidation to occur by 30 June 2014. This will boost superannuation balances by ensuring members avoid paying unnecessary fees, including insurance premiums on multiple accounts and reduce the number of lost accounts.
19. Further account consolidation initiatives, including consolidation, across funds, will be reviewed in late 2014 following further industry consultation. This consolidation process would be facilitated by the ATO and involve the auto-consolidation of low balance lost and inactive accounts and accounts in Eligible Rollover Funds across funds into a member's active account.

4. STRATEGIES

20. Strategies to reduce the number of lost and unnecessary accounts and re-unite people with their superannuation need to take into account:
 - peoples' engagement in superannuation, which is graduated across a broad spectrum and is influenced by a range of factors including age and financial literacy; and
 - the need to not only reduce the number of existing lost and unnecessary accounts but also prevent the proliferation of unnecessary accounts into the future.

5. CONSULTATION QUESTIONS

21. *Should the existing suite of strategies to re-unite people with their lost accounts and unclaimed monies be enhanced?*
22. *Are there other initiatives that could help reduce the number of lost and unnecessary accounts in the Australian superannuation system and reunite more of these accounts with their owners?*
23. *Is there a need for strategies, such as the new employee enrolment process described above that aim to prevent the proliferation of lost and unnecessary accounts into the future?*
24. *Are the existing strategies adequately integrated and do they work in harmony to achieve the Government's policy goal of ensuring that all Australians have an adequate and secure retirement income?*
25. *The current superannuation reform program is significant and impacts superannuation funds, employers and individuals. How can re-uniting and account consolidation strategies be best phased into this broad reform agenda?*