FIRST SUPER
putting members *first*

30 June 2011

Stronger Super Peak Consultative Group
c/o Department of Treasury & Finance
Canberra
StrongerSuperSuperStream@treasury.gov.au

Re: Submission regarding consolidation of an individual's multiple superannuation accounts

First Super is the industry superannuation fund for the timber, pulp & paper and furniture & joinery industries. It has 74,000 members with $1.5 billion in members' funds.

During the consultative process on the government's *Stronger Super* and *Super Stream* reforms one proposal has been to implement a process for automatic consolidation of a person's multiple superannuation accounts, on an 'opt-out' basis. That is, an individual with multiple accounts would be:

a) advised by the Australian Taxation Office that they had multiple accounts;

b) provided with the details of those accounts;

c) advised that the accounts would be consolidated into one of their existing accounts (as nominated by the ATO); and

d) given the option to 'opt-out' by advising the ATO that they do not consent to the proposed consolidation

First Super does not support any regulation or process that could result in consolidation of multiple superannuation accounts *without the member's express written consent*.

We consider that an opt-out arrangement will in reality for many members mean 'enforced' automatic consolidation of superannuation accounts without their consent. It well known and understood that many superannuation fund members don't read or fully understand information sent to them about their super, and there's no reason to think that this will change with the introduction of the *Stronger Super* and *Super Stream* reforms. People with limited understanding of financial and superannuation matters or limited grasp of English will be especially disenfranchised.

There is a fundamental principle at stake – the right of superannuation fund members to have control over and provide informed consent to anything that happens to their super accounts and associated insurance arrangements. This basic right should not be diminished.

There are substantial risks in 'auto consolidating' multiple accounts, without the member's informed consent. Some examples could be:

Level 3, 200 Arden Street
North Melbourne VIC 3051

PO Box 666, Carlton South VIC 3053

t: 1300 360 988 f: 1300 362 899

First Super Pty Ltd ABN 42 053 498 472
AFSL No. 223 988 RSEL No. L0003049 RSER No. R1067385

www.firstsuper.com.au

a) Reducing their insurance cover by thousands of dollars for the sake of saving them $1.50 a week in administration fees

b) Consolidating their accounts into an account other than the one they would prefer to be in or is best for them (e.g. from a low fee industry fund into a high fee corporate fund)

c) Causing an employer to breach an industrial agreement by 'automatically' removing one of their employees from the fund that is specified in the agreement

d) Creating more administrative work for employers in a situation where none of their employees really wanted to make any changes

Consolidation of accounts is important but it's the task of the government (via the ATO) and the funds, working with members to help them make properly informed decisions.

It is our strong view that members interests will be best served by:

a) The ATO being directed to act, to identify members with multiple accounts and write to them with details of where those accounts are, explain the benefits of consolidation and how to go about it, and provide a simple form for taking up the consolidation option if they wish; and

b) Funds acting, as we already do, to regularly explain to members the benefits of consolidating accounts and help those who want to do so (but ensuring that their interests are protected - for example their insurance cover is not diminished without their consent - in the process).

First Super strongly supports the rights of members to have control over and make informed decisions about their retirement savings and superannuation arrangements.

Graeme Russell
Chief Executive Officer