

Treasury Supervisory Levies

ASFA Submission

June 2009

Association of Superannuation Funds of Australia

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Please Note:

This background paper provides general information and is not intended as advice specific for any individual superannuation fund or investment manager's portfolio. Although verification of the accuracy of the information contained in this paper has taken place, liability is not accepted for any errors or omissions that may have occurred.

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Manager
Banking Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Submission: Discussion Paper on Proposed Financial Sector Levies for 2009-10

The Association of Superannuation Funds of Australia ("ASFA") is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. Our members include corporate, public sector, industry and retail superannuation funds plus service providers who provide professional services to SMSFs, account for more than 5.7 million member accounts and over 80% of superannuation savings.

ASFA would like to thank you for the opportunity to provide comments in regard to the above discussion in the paper and the possible levy scenarios for superannuation entities.

The aggregate amount sought to be recovered

ASFA does not oppose the recovery through the supervisory levy of expenses of APRA, ASIC and the ATO which are relevant to the supervision of superannuation.

ASFA notes that the total amount sought to be recovered in regard to superannuation entities has increased only 2% compared to the previous year. However, given that there was a reduction in the number of supervised superannuation entities from 758 to 505 over the last year we would have expected a reduction in the supervisory time and costs attributable to superannuation, even with the use of a four year moving average. Substantial increases in levies are being sought at an individual fund level given the decrease in the overall number of funds.

The amount of \$7.3 million sought for the operations of the Australian Taxation Office in regard to the Lost Members Register (LMR) has also increased significantly from the amount recovered for this in the previous year. However, given the nature of the operation of the Lost Members Register this is still a very substantial amount, in excess of what is required to operate the complex program of the Superannuation Complaints Tribunal. ASFA continues to have reservations about the ATO recovering a very complete range of general overhead costs not even remotely connected to the Register. An amount of \$7.3 million for the operation of the LMR appears to involve a very generous level of funding which we believe is not commensurate with the volume of enquiries handled and what is involved in maintaining an electronic register based on bulk information supplied by funds.

ASFA also notes that as a result the new Departed Temporary Residents and lost members measures of the government, in the next year or so nearly half of the accounts listed on the Lost Members Register will actually be unclaimed monies that have been paid into the consolidated revenue account of the Commonwealth. In these circumstances ASFA does not consider that it is appropriate that superannuation funds should be levied for the claimed full costs of running the LMR. A substantial proportion of the costs will be attributable to the unclaimed monies received by the Commonwealth under the new arrangements.

In any event, it should be possible to supply the current level of services in regard to the LMR at a lower cost. The data for the register are provided by funds in electronic form, and the bulk of the enquiries/interrogations of the Register are also in electronic form using SuperMatch, SuperSeeker Online, and SuperSeeker, an interactive voice recognition telephone service.

If \$7.3 million a year is the actual level of costs involved then very serious consideration should be given to contracting out the required activities.

The levy parameters for 2009-10

The discussion paper does not provide any analysis of supervisory costs on a fund by fund basis. ASFA considers that it is unlikely that any fund has direct supervisory costs in excess of \$200,000. As well the proposed levy structure imposes the largest percentage (and absolute dollar) increases on the largest funds. An increase in levy of more than 25% arguably is not appropriate for larger funds.

ASFA considers that the levy structure in Scenario 2 would provide more equitable and efficient outcomes as it would better reflect the relatively higher supervisory costs per million dollars of assets of smaller funds.

If you have any questions in regard to this submission please contact Ross Clare on (02) 80790809 or rclare@superannuation.asn.au.

Yours sincerely

Ross Clare
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