Aggregate and individual costs of multiple superannuation accounts

Ross Clare
ASFA Research and Resource Centre

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Secretariat

Level 19
Piccadilly Tower
133 Castlereagh St
Sydney NSW 2000

PO Box 1485
Sydney NSW 1005
Tel: (02) 9264 9300
Fax: (02) 9264 8824

The Association of Superannuation Funds of Australia Limited ACN 002 786 290
ASFA Website: www.superannuation.asn.au

Executive summary

The issue of unwanted multiple super accounts has received considerable public attention following the release of a recent Australian Consumers' Association (Choice) report on the topic. The Choice report overstated the incidence and costs of such multiple accounts but there are no grounds for complacency on the part of funds. While there are fewer multiple unwanted superannuation accounts than has been estimated by Choice, there are more superannuation accounts than Australians want or need. By better identifying the causes and extent of multiple accounts research assists in the development of targeted solutions to the problem.

The number of Australian residents with superannuation accounts

Superannuation accounts are held by people currently employed or self-employed, and by people who have been employed at some stage but not yet retired. They are also held by those who have established accounts with personal contributions or with contributions made by a spouse. Individuals receiving a retirement income stream from superannuation have accounts. There also are accounts held by those who have left the country but for one reason or another have not closed or are not able to close their account.

ASFA Research Centre estimates suggest that the number of resident individuals of workforce age with superannuation is around 12 million. The bulk of these are currently employed, but there is a significant number with superannuation who are not in the paid workforce. Around 1 million accounts might be attributable to those who have left the country permanently or on a long term basis, or which are not connected to a real person for one reason or another and will never be claimed. Around 1 million accounts relate to allocated pensions and other retirement income streams. All up this implies that there are around 14 million primary accounts needed for resident Australians and former residents. A considerable number of Australians also need more than one account for one reason or another.

The number of multiple accounts justifiable on objective grounds

ASFA in principle (and practice) supports the consolidation of accounts, but multiple accounts can be justified when they are used to:

- Retain entitlement for advantageous insurance coverage (around 200,000 accounts).
- Retain employed financed benefits in defined benefit funds (500,000 accounts).
- Facilitate salary sacrifice and discretionary personal savings by those in defined benefit funds (300,000 accounts).
- Deal with the short term needs of employees in the course of moving from one job to another (250,000 accounts).
- Deal with multiple job holders who do not have choice of fund in all of their jobs because of industrial relations agreements or because one of their employers is in the public sector and does not offer choice of fund (100,000 accounts).

- Retain benefits in old style retail superannuation products with large exit fees (550,000).
- Satisfy consumer needs for multiple accounts to meet investment and other requirements (2 million accounts).

All up there are likely to be some 4 million accounts which are justified by the individuals concerned or are unavoidable on top of the primary accounts held by 14 million Australians and former residents. This compares to around 28 million accounts in total in existence, making the possible number of unnecessary multiple accounts around 10 million in total.

The costs of unnecessary duplicate and lost accounts

The costs can be broken up into three categories:

- the additional costs for members associated with having some part of their superannuation savings in an Eligible Rollover Fund (around $40 million);
- the costs to fund members of account balances being sent to Unclaimed Monies arrangements administered by State and Territory governments ($5 million and declining); and
- the additional costs for members of having superannuation savings in unwanted and unneeded superannuation accounts other than in ERFs ($270 million).

The aggregate additional costs amount to around $315 million. While this is not insubstantial it is well short of the $2 billion a year claimed by Choice in its research report and media releases.

Appropriate policy responses

While there are no grounds to be complacent, Australia already has in place arrangements which are better than anywhere else in the world for facilitating consolidation of multiple accounts and for finding lost superannuation accounts. As well, ASFA, government and other industry groups are continuing to develop improved transfer protocols and getting rid of unnecessary redtape.

Rather than transfer troubles being rife, as claimed by Choice, in 2004-05 nearly 800,000 members exited or transferred balances from funds. The challenge is to build on this and have everyone who wants or needs to consolidate their accounts to do so without compromising investment returns or the security of their superannuation savings.

The government and the sector are committed to delivering even better outcomes for employees (and employers and funds) in this area. The government is introducing legislation which reduces the maximum time funds have to process portability requests, and which provides for a standard portability request form with uniform proof of identity requirements. The government is also introducing a range of measures which will enhance the role of the Australian Taxation Office in the consolidation of lost accounts and which will lead to more tax file numbers being attached to superannuation accounts thereby reducing the incidence of lost accounts.

In this context ASFA has been active in putting forward proposals and in developing industry protocols to help reduce the incidence of any unnecessary or lost superannuation accounts. It has long been a priority of ASFA and superannuation funds to reduce the number of multiple super accounts. ASFA and the industry have already invested considerable time, money and effort in the development of better processes, systems, education and matching of accounts. Most notably, ASFA developed a standard form for the transfer of benefits between funds. This has formed the basis for the proposed form to be introduced by the government in 2007.

Care is needed in developing solutions to the problem of unwanted and unneeded accounts. The wrong solutions could well cost members through higher costs, lower returns and a much higher incidence of fraud and theft. The proposals in the Choice research report have the potential to reduce retirement savings by over $1 billion initially and by over $300 million a year on an ongoing basis by imposing a need to formally identify every existing and new fund member and by transferring account balances in Eligible Rollover Funds and accounts used by casual workers to what would be likely to be a very low investment return central fund. Other Choice recommendations if adopted would have the potential to significantly increase the possibility of theft or fraud in the payment or transfer of member benefits through requiring funds to pay benefits regardless of whether the person claiming the benefit or transfer is able to establish proof of identity satisfactorily.

1. Introduction

It is a matter of concern that some individuals have multiple superannuation accounts when those individuals would prefer (or at least would prefer if they thought about it) to have fewer accounts or only one account. It can be a matter of even greater concern where the owner of a superannuation account has lost contact with the fund concerned.

Retirement savings for individuals can end up being lower than they would otherwise be as a result of paying higher fees and costs than is necessary. Even more worryingly, an individual might miss out entirely on receiving part of their retirement savings if they permanently lose touch with one or more of their superannuation accounts. On the other hand, consolidation of an assortment of superannuation accounts into one or fewer higher cost accounts will not increase retirement savings even though it might make them easier to manage.

The incidence of duplicate, especially low account balance, superannuation accounts is also a matter of concern for superannuation funds. This is both because of the impact account duplication has on the members directly concerned and the impact on other members of the fund.

Member protection

Many duplicate and inactive member accounts are what is known as "member protected". This means that the fees charged cannot exceed the investment earnings associated with an account when the account balance is less than $1,000. Where a fund has many such accounts the aggregate cost can be substantial. Such costs, including the costs of developing and maintaining systems to implement this protection, generally have to be passed onto other fund members.

Duplicate accounts are not unique to the superannuation sector. For instance, many individuals hold more than one savings or transaction account with a bank or other deposit taking institution such as a credit union. Sometimes this can be a matter of choice, sometimes it is a matter of accident. Similarly, with superannuation fund accounts an individual may choose to have more than one account, or it may happen largely by accident. The accident can even be the fault of someone other than the member.

Role of employers

In regard to individuals having too many accounts by accident, many superannuation accounts are opened by employers so that they can satisfy their Superannuation Guarantee obligations to provide a 9% of wages contribution to superannuation. While the choice of superannuation fund legislation allows the majority of employees to choose the fund to which employer contributions are to be made, many employees still go with the default chosen by their new employer. As well, choice of fund legislation has only been operative since 1 July 2005. Many duplicate accounts pre-date choice of fund, and there is evidence that only a minority of new employees nominate a fund with which they have an existing account when they start a new job (ANOP, *Report on Attitudes to Superannuation in Late 2006,* www.superannuation.asn.au).

Where an account is opened by an employer it is most unlikely that the fund initially will have a signature of the member or other unique and secure identifier such as a PIN number attached to the account. A fund may or may not obtain a signed form by the member at a later date.

Both the government and the sector itself have developed a range of policies and strategies aimed at keeping fund members in touch with their retirement savings, avoiding erosion of retirement savings through excessive fees and charges, and facilitating transfer of account balances and consolidation of accounts.

There have also been some offsetting policy pressures making it more difficult to transfer out account balances. These measures are aimed at protecting individuals and funds from any fraudulent or other unlawful access to individual accounts and preventing use of superannuation accounts for money laundering. However, a side effect is that they make it hard for the honest and true owners of account balances to consolidate accounts.

The prudential regulator of the sector, the Australian Prudential Regulation Authority, expects fund trustees to have in place strategies to deal with the risk of fraudulent withdrawal or transfer of superannuation benefits, while Anti-Money Laundering and Counter Terrorism Financing legislation seeks to impose identification requirements on fund members, principally at the time fund members seek to withdraw or transfer account balances. The result of these protections against fraud and money laundering is that funds generally require prescribed information from individuals at the time when payment of a benefit or transfer of balance is being sought.

If such information is not forthcoming transfers will not be processed. It is not enough for the account the transfer is being made to be in the same name as the account the amount is coming from, as generally proof of identity is not required to open another account. It also is not sufficient for the applicant for the transfer to know they are the true owner. Providing a letter from yourself (or indeed even a photo of yourself) does not provide objective evidence of identity. More is required.

Trustees need to resolve issues such as who first provided the personal details about the member, how they were provided and whether, and if so how, they have been updated or verified. Where the information was provided by a third party, such as an employer, and has not been subsequently verified by the member or through fund processes (such as annual report mail outs) additional checks generally are required.

When checking the *bona fides* of a member funds consider such matters as:

How the member joined the fund:

- Did the member join by completing an application form?
- Was the member enrolled by an employer sponsor?
- Was the member ERF'd from another fund?
- Was the member's signature required and is this readily accessible to conduct a check against?

The level of information provided at the enrolment stage:

- Was a full name provided?
- Was a date of birth provided?
- Was a TFN provided?
- What type of address was provided, work, home or postal?
- Were spouse details provided?

Previous dealings between the member and the fund:

- Has the member been in regular contact with the fund since joining the fund or is the request out of the blue or one of several recent contacts?
- Have there been recent changes of personal details such as address, date of birth, name, beneficiary etc?

The Anti-Money Laundering and Counter Terrorism Financing requirements also mean that funds have to be satisfied that the member is who they say they are, rather than the person seeking to operate on a superannuation account being the same person who opened it.

Claims made by Choice, the Australian Consumers' Association

Attention to the issue of duplicate superannuation accounts was given in an Australian Consumers' Association (Choice) report released on 24 November 2006 on the costs to consumers of multiple superannuation accounts. The report claimed that out of 28 million superannuation accounts in Australia 13 million of these are completely unnecessary. It also claimed that "the only winners from this duplication are the superannuation funds which rake in a handy windfall of up to $2 billion in fees from administering these accounts each year". The report also contained nine recommendations, most of which relate to the establishment of new Commonwealth government agencies and offices which would take an active role in consolidating superannuation accounts using a variety of mechanisms together with proposed legislative changes designed to speed up transfers.

While there are fewer multiple superannuation accounts than estimated by Choice, there are more accounts than Australians want or need.

The following sections provide in greater detail the actual likely number of accounts that are lost, duplicate or unneeded, together with estimates of the additional costs associated with such accounts. The costs involved at an estimated $315 million a year are substantial, but are nowhere in the vicinity of the $2 billion claimed by the Choice report and the Choice media release. Unnecessary accounts are a problem which is and must be tackled by funds, government and individuals but it is important that we are clear on the facts so that supposed solutions do not introduce further problems of their own. The wrong solutions can lead to greater costs for members through higher running costs of funds, lower returns and a much higher incidence of fraud and theft.

2. The number of multiple superannuation accounts

Estimating the number and distribution of **multiple superannuation accounts** is not an easy task. While the **total number of superannuation accounts** can be obtained with a reasonable level of accuracy from APRA published statistics, it is much more difficult to estimate the **number of Australian citizens and residents with superannuation**. Both the number of temporary residents with superannuation that have left the country and the number of Australians with superannuation who have left permanently or for a shorter duration are even more difficult to estimate.

2.1 The number of superannuation accounts

APRA collects and publishes the number of superannuation fund member accounts based on information provided by APRA regulated funds in their annual returns to the regulator, and from data from the Australian Taxation Office on Self Managed Superannuation Funds.

As at June 2005 (the latest available data as at January 2007) APRA estimates that there were some 27.888 million superannuation accounts. While this figure is based on reports from funds, it could be on the high side. Funds also report to the Lost Members Register maintained by the Australian Taxation Office details of lost and inactive accounts. Around 500,000 of the accounts for which details were reported had nil (or even negative) account balances reported. Such accounts technically continued to exist, but hardly could be regarded as a concern to the consumers that they were attributable to.

However, these nil balance accounts amount to only a relatively small proportion of the overall number of fund accounts. The number of individuals with more than one superannuation fund account appears to be continuing to rise. For instance the number of member accounts grew by 4.3% in the year to June 2005, compared to growth in the labour force of 2.5%. Most superannuation accounts are related to employment arrangements and growth in the number of employees is an important driver of the number of superannuation accounts.

There were differences in the growth of member numbers for different types of funds, reflecting the growth in the number of people with superannuation, an increase in the number of multiple accounts, and shifts in the market share of different types of funds. More specifically, small funds (Self Managed Superannuation Funds regulated by the Australian Taxation Office and small funds with an APRA approved Trustee) experienced the strongest growth in member numbers, at 7.7%. Industry fund member numbers increased by 6.5%, retail funds by 3.9%, and public sector funds by 1.7%. The number of corporate fund members declined by 1.7% as the result of the closure of a number of corporate funds in the runup to APRA licensing of trustees and funds.

2.2 The number of Australian residents with superannuation accounts

As the Choice report notes, superannuation accounts are generally held by people who are in the labour force or have recently left it. However, in recent years the contribution rules for superannuation have been amended to largely remove the need for a link to the labour force in order to make contributions. More specifically, in 1997 the ability to establish an account for a spouse and to make contributions to that account was created. In 2004 the rules were changed to allow all individuals aged between 18 and 65 to establish a superannuation account and make contributions without satisfying any work test.

The preservation requirements also mean that a person who has a superannuation account cannot access their superannuation benefit until a condition of release is achieved. Ceasing work prior to age 55 generally is not sufficient to create a condition of release. Benefits are also generally taxed more heavily if received prior to age 55, with no tax at all to be paid on benefits received by those aged 60 and over from 1 July 2007.

Along with these general incentives and prohibitions encouraging or requiring the retention of superannuation accounts after departure from the paid labour force, some public sector funds will only pay out a benefit when an individual achieves a specified age or other condition of release. Prior to then such funds do not permit the transfer or rollover to another fund of any amount. In some cases a benefit may be substantially higher if it is paid out or rolled over on or after a specified age.

Accordingly the starting point in estimating the potential population of those with superannuation accounts in the accumulation phase is the number of individuals of workforce age, rather than the 10.5 million employed or looking for work which the Choice research report focuses on (the Choice report overestimates the number of accounts attributable to those in the labour force, and underestimates the number attributable to those no longer or never in the labour force).

The number of individuals in the relevant age group for having a reasonable possibility of having superannuation is around 15 million. When allowance is made for those studying and not yet in the paid workforce, those never employed at any stage (a not very large number), the proportion of the self employed and others who do not have and have never had superannuation, and the number who have had superannuation but have closed their account through taking a benefit payment, the number of individuals of workforce age with superannuation is around 12 million.

Non-residents

There are other superannuation account holders of workforce age who are no longer resident in Australia. This includes non-residents who worked legally (or illegally) for some time in Australia, and Australians who have left the country on a temporary or permanent basis.

Certain non-residents are permitted to apply for release of superannuation benefits on leaving Australia, subject to payment of tax on the benefits received. However, Australian and New Zealand citizens are not allowed to obtain benefits because they have left the country, and as well it is likely that a significant proportion of non-residents who have a superannuation entitlement do not apply for it. While some uncertainty attaches to any estimate, at least 1 million accounts might be attributable to those who have left the country.

The number could be even higher given that Treasury estimated back in the year 2000 that some 275,000 individuals on temporary residence visas were eligible to work at any given time. Over a period of years the number of such persons with a superannuation balance in Australia becomes considerable given that only a proportion apply for a release of a benefit on leaving the country.

As well, in 2003-04, a not atypical year for arrivals and departures, there were around 60,000 permanent departures and over 250,000 long term departures of Australian residents. Over a period of years this gives rise to a considerable aggregate total of superannuation accounts not closed and unable to be closed by Australian citizens or former residents who have left the country, at least not until retirement age or other condition of release is achieved.

The non-existent and the now dead

There also would be a significant but indeterminate number of accounts which were opened in the name of a fictitious person rather than the real name of the employee. This can arise when an individual does not wish to reveal their true identity to an employer because they are seeking to avoid the payment of income tax, or do not wish to declare earnings to Centrelink, or are a non-resident with no right to work in Australia. Such individuals are not likely to ever seek to claim an interest in such accounts, and in any event would have considerable difficulties in establishing the evidentiary links needed to claim ownership. Such multiple accounts are a result of the actions of the specific employees concerned, rather than being something which either employers or funds could control in the absence of requiring proof of identity before commencing a job.

Consistent with this analysis, the Australian Taxation Office indicated in its 2005-06 Annual Report that when it has investigated who is on the Lost Members Register it has discovered that some taxpayers have used false identities, or do not want to be linked with funds in the register.

There also would be accounts attributable to real people who are now dead. While it will often be the case that a superannuation fund is informed when a member has died, in the absence of such advice accounts will be maintained until it is clear that an account is unclaimed. Given that after 1 July 2007 there will be no general legal requirement to cash out accounts at age 65 (or any other specific age) there is likely to be a growing, but indeterminate, number of accounts attributable to the once living but now dead. Such accounts do not necessarily lead to multiple accounts, but unclaimed accounts of persons now dead certainly are not doing anyone any good. Better processes for executors and administrators of estates and/or dependants to find and deal with such accounts would be beneficial both for funds and beneficiaries.

The retired

There are also more benign reasons for duplicate accounts. For instance, there is a significant number of superannuation fund members who are no longer in the labour force, having retired. Around $80 billion of assets under management in the retail superannuation sector relates to retirement income products. This is likely to involve around 700,000 accounts given average account balances for such products.

Other funds also have members in the retirement phase. In June 2005 there were a total of 645,000 members of superannuation funds aged over 65 years. A further 1.1 million were aged between 60 and 65. While some proportion of these would still be in the paid work force and the accumulation phase of their superannuation, nearly 1 million superannuation accounts are likely to be attributable to members in the retirement phase.

Aggregate number of individuals with superannuation

In aggregate, there are likely to be at least 14 million Australian residents, former residents and former visitors to Australia who have superannuation accounts. The bulk of these relate to those currently in the paid labour force in Australia, but a significant proportion relate to those that who have retired and are receiving a superannuation income stream, or who are temporarily out of the labour force, or who have left the country. Accordingly there is a necessity for there to be at least 14 million superannuation accounts for the 14 million individuals involved. As the next section indicates, there also are legitimate reasons for individuals having more than one account, leading to the total number of accounts being well in excess of 14 million.

2.3 Multiple accounts which can be justified on objective grounds

There are a number of reasons why an individual may want or need to have more than one superannuation account. Very often these reasons are totally out of the control of the superannuation fund or funds concerned.

Insurance

One reason for having multiple accounts is that valuable insurance benefits would be lost through consolidation of accounts. Premiums paid for insurance cover, or indeed whether cover can be obtained at all, will depend on whether cover is being renewed or whether initial or increased cover is being sought. Renewal of cover on similar terms is possible for an individual without a health declaration or medical examination. For an individual seeking insurance cover or increased insurance cover in another fund then in most instances a health declaration will be needed if cover over a basic level is sought. A medical examination might be required for higher levels of cover. A person who has had cancer but is in remission would be very unwise to consolidate their accounts if a significant level of insurance cover was lost as a result.

While it is difficult to estimate the number of individuals in such circumstances, the number is likely to be at least 200,000 given the incidence of medical conditions which would impact on acceptance for insurance at standard rates. From a sample of one (myself) this is a highly relevant consideration, and I maintain two accounts for this very reason. Funds would stop accepting rollovers in if they had to automatically grant insurance cover on the same terms as applied in the previous fund for the member.

Defined benefit fund membership

Another reason for having multiple accounts is that where a member has been a member of a defined benefit fund but has left the employment that gave rise to the defined benefit interest they may have to or it is financially desirable to maintain an interest in the defined benefit fund. For instance, there are a number of Commonwealth and State defined benefit funds where members are required to maintain their membership until a set retirement age or another condition of release is achieved in order to obtain any significant employer benefit. Comparing the number of members of public sector and corporate funds with the number of accounts that would be related to their current employees, it is likely that there are around 500,000 such accounts.

Some members of defined benefit funds will also maintain a separate accumulation account in the same or different fund so that they are able to make salary sacrifice contributions. Such contributions may not be allowed within the defined benefit section of the fund concerned because they do not fit into the benefit structure or fund rules, or would give rise to additional employer obligations that the employer may not wish to incur. This and other restrictions on the ability of defined benefit funds to accept voluntary member contributions are likely to have led to an additional 300,000 accounts being created.

Temporary accounts

As the Choice report correctly notes, some second accounts are held temporarily by employees moving from one job to another. In such circumstances some overlap is unavoidable, especially given that an employer will not be making an employer contribution on the first day an employee starts work. An allowance of 250,000 accounts for these transitional situations would be reasonable.

Multiple jobs

Multiple job holders also might have to maintain multiple accounts because one or more of the employers is not required to offer choice of fund and/or the primary fund used by the member is unable to accept contributions from another employer. There are currently nearly 600,000 multiple job holders in Australia. Even if only a small proportion of these have to maintain two or more superannuation accounts, this will add at least 100,000 to the number of accounts required in the economy in aggregate. This category should be declining with choice of fund but is still relevant. For example some State government schemes cannot accept contributions from a private sector employer.

Exit fees

The existence of exit fees can also be a reason why an individual may choose to maintain multiple superannuation accounts. ASIC in March 2005 announced that an inquiry by ASIC had found that at least 550,000 Australians had 'old style' or 'legacy' superannuation accounts bought from life companies in the 1980s and early 1990s that might be subject to significant exit fees if they are terminated prior to their agreed termination date, which might be age 65 or other similar retirement age.

While some providers of such products allow renegotiation of the contracts concerned, others do not. Aggregate early termination fees of around $950 million are associated with such accounts, so clearly any decision to terminate such accounts have to take into account both the costs and benefits of consolidation. An adviser recommending consolidation could be in breach of their duties to a client if the costs involved outweighed any potential benefits in terms of lower ongoing costs.

Any move by government to require providers of such products to allow transfer out of balances without payment of an exit fee would lead to significant claims for compensation from the government by the life insurance companies concerned. Essentially legislative voiding of exit fees would be taking the property of the life companies, who have already paid out commissions of comparable amounts to the agents and planners who distributed these products.

Adoption of the recommendation in the Choice report that an office within the Australian Taxation Office be given the power to lower exit fees to a set level so that they reflect administration costs only would lead to a situation where taxpayers generally would be required to pay a substantial proportion of the very considerable break costs of the various contracts concerned. Compensation costs could approach $1 billion in aggregate and would not be good use of government revenue.

Flexible retirement arrangements

The Government has introduced measures to allow workers aged 55 to 64 to draw down on a superannuation pension while still working, as a means of keeping older people in the workforce. No restrictions are placed on the number of work hours required so while many workers will choose to work part time, others will continue to work full time. Workers may draw down on a superannuation pension and at the same time save into the superannuation system by salary sacrificing employment income and /or having compulsory contributions made on their behalf. The only restriction on the superannuation pension, which differentiates it from a normal ‘ in retirement’ superannuation pension, is that it must be non- commutable i.e. you cannot cash out lump sums, as in a normal allocated pension, until you satisfy a condition of release.

Individuals aged 65 and over are also able to draw down a superannuation pension at the same time as making further contributions provided they satisfy the work test to make contributions.

Given that separate accounts are needed for the pension payments and for the contributions, this leads to individuals necessarily having two accounts. While it is difficult to estimate the numbers involved, as many as 30,000 or 40,000 such accounts could be involved.

Investor choice

Finally, some fund members have more than one account because they choose to in the full knowledge of the costs and benefits involved. For instance, they may hold more than one superannuation account because they consider that there are benefits from further diversification of investment risk and/or having additional investment options available. In other cases one superannuation account may be associated with their employment, with a secondary account used for discretionary savings. In yet other cases the establishment of an additional account will be because that is the method used to fund the provision of financial advice.

The existence of second accounts for discretionary savings purposes is most clearly demonstrated in the retail superannuation sector. In 2004-05 there were nearly 1.1 million personal entrants to retail superannuation funds, with a further 880,000 entrants signed up as employer sponsored members. Signing up personally is a clear indication of choice by individuals. If a consumer decides to have more than one account knowing the costs involved (with point of sale information in Product Disclosure Statements clearly providing this) how is it that it can be claimed the consumer is wrong, or even more oddly that it is all the fault of superannuation providers?

Reasons for wanting more than one account can relate to further diversifying risk, accessing particular investments or investment categories, or separating discretionary savings from workplace retirement savings. Similarly, many individuals choose to have a transaction bank account and a separate longer term savings account. It could be argued that banks benefit from two sets of fees but it could hardly be said that the duplication of accounts is somehow the responsibility of the bank or banks concerned.

The bulk of the reasons consumers have more than one account relate to action (or inaction) by consumers and employers, rather than anything that funds have done.

As shown by Table 1, around 40% of the adult population report being in more than one fund. The incidence of being in more than one fund is higher for those who have their main account in a retail fund or a public sector fund. This is consistent with the analysis above. The incidence of more than one fund is also reasonably consistent across a range of demographic indicators. Full-time and higher paid individuals have more than one fund at rates similar to those in part-time jobs with low incomes. However, men appear to be more prone to having multiple accounts than women. This may have something to do with longer periods in the paid labour force for men on average, and with the greater use of discretionary savings in retail funds by men.

Taking all these factors into account, a conservative estimate would be that there are at least 2 million accounts where the member has consciously decided to have a multiple account for reasons other than those described above.

Table 1: Distribution of superannuation		
	More than one fund %	**All in one fund** %
TOTAL	40	60
Fund Sector		
Retail	43	57
Industry	34	66
Public Sector	42	58
Corporate**	30	70
SMSF**	40	60
Changed Funds		
Changed in last year	46	54
Work		
Full-time	38	60
Part-time	42	56
Gender		
Men	43	54
Women	34	65
Age		
25-39	38	61
40-49	38	57
50-69	42	57
Company Size		
1-20	36	57
21-499	41	58
500+	40	60
H'hold Income		
Under $40,000	37	60
$40-$59,000	37	63
$60-$79,000	43	54
$80-$99,000	37	61
$100,000 plus	43	57

**Caution: Small sample sizes

Source: ANOP Report on Attitudes to Superannuation in Late 2006

All up as at 30 June 2006 there are likely to have been around 4 million accounts multiple accounts through active choice or necessity which were and are justified by the individuals concerned for one reason or another on top of the primary accounts held by 14 million Australian residents and former residents and visitors to the country, a total of 18 million needed accounts. This compares to around 28 million accounts in total, implying that around 10 million of these accounts are not needed.

The next sections examine the reason why there may be 10 million accounts in excess of what is wanted or needed by individuals, and what the costs of this to individuals and funds are.

3. The causes of unwanted multiple and lost accounts

The main causes of unwanted multiple and lost accounts are misadventure, carelessness, apathy, unhelpfulness, incompetence and disrespect for the law. While superannuation funds are not entirely without blame, it is actions (or lack of action) by individual fund members and by employers which lead to many of the multiple accounts. Once multiple accounts have come into existence there is only so much the government and funds can do to facilitate the amalgamation of unwanted and unneeded accounts.

Individuals losing contact with a provider of financial services is not unique to superannuation or indeed to Australia. For instance, in the United Kingdom it has been estimated that there are one billion pounds in unclaimed life policies, three billion pounds in unclaimed pensions (superannuation), and five billion pounds in dormant bank accounts (www.uar.co.uk). While financial institutions usually make considerable efforts to find their customers they can lose touch with them for many reasons. These include:

- People do not notify them of address changes.
- Customers forget about investments, and that forgetfulness becomes permanent.
- People make investments without telling their spouse or other potential beneficiary and the surviving partner is unaware that funds are due to the estate.
- Companies change their names.

Individuals lose touch with a wide range of financial accounts. For instance, on the unclaimed moneys register maintained by the Australian Securities and Investments Commission there are accounts and moneys from:

- Banking – banks, credit unions and building societies.
- Life – money from life policies held with insurance companies and friendly societies.
- Companies – money from the compulsory acquisition of shares resulting from takeovers and unclaimed dividend cheques.

The criteria for moneys being unclaimed are much stricter than for superannuation accounts being placed on the Lost Members Register with a requirement, for instance, for bank accounts being inactive for seven years or more before they are regarded as unclaimed. There currently is some $200 million in unclaimed bank accounts, far in excess of the unclaimed amounts for superannuation (although admittedly the amount of inactive or lost superannuation accounts on the Lost Members Register is far in excess of the amounts that are strictly unclaimed).

Some individuals can be well aware that they have two or more accounts and that they do not really need that many. However, they may perceive the actual or opportunity costs of this as being low and that it is not really worth making much effort to amalgamate accounts. In some instances there may be some truth in such an assessment, at least if the account is not altogether lost in the future as a result of neglect.

In terms of the arithmetic, for an account with a balance of $400 over a ten year period the final balance will be $282 in today's dollars if the account is member protected (no explicit fees charged) and as a result no investment earnings are credited. If such a balance was transferred to another account it could grow to $553 (again in today's dollars) if invested in a balanced option. All these figures are derived from the superannuation calculator on the ASIC consumer website www.fido.gov.au.

The impact of failing to amalgamate accounts does build up over the years, but the yearly detriment is relatively modest. Individuals who fail to amalgamate accounts might also have a lot of coins in their bedside table drawer which are not banked or saved. The financial impact in each case might not be dissimilar.

Role of employers in providing member information

Often it is the employer, not the member, who effectively opens the account on behalf of the member. For an "employer-sponsored" member, there is no legal obligation for the new member to complete an application form and the fund has up to three months after the member joins the fund to provide the member with a Product Disclosure Statement. There have been minimal legal obligations on employers to provide information about the member. A new employer sponsor of a fund is required to complete an application form for themselves and the first member of the fund. After that, it is up to the fund to pursue employers for information about new members. Often employers provide poor, late or incorrect information and in some cases provide no information about new members. Funds expend considerable resources pursing employers for this information. Going forward there may be some improvement in information flows, as from 1 July 2007 employers will be required to pass on TFNs to funds when these have been provided by employees, with the Australian Taxation Office responsible for enforcing this obligation.

Currently superannuation funds collect data on the member's name, postal address, date of birth and tax file number. In transfers they also collect information about the tax status of the various elements which make up the account. This information assists in dealing with the member, including complying with the requirement to report annually to members and the payment of benefits with the correct amount of tax deducted. Information such as place of birth, citizenship and residency has normally not been collected by superannuation funds.

Where an employer has provided scant or incorrect information, the likelihood of the fund losing touch, or never being in touch, with the member increases. While it could be argued that funds should not accept any contributions, including employer contributions, until satisfactory and objectively tested member information has been provided there would be considerable costs for employees/fund members in such an approach. It also would be inconsistent with the obligations for employers to make compulsory contributions under the Superannuation Guarantee legislation at least quarterly. Employers could use the absence of member details to avoid paying the 9% compulsory superannuation contributions altogether.

Failure of members to exercise choice of fund

ABS statistics indicate that around 14% of the workforce are not in the job they were in a year earlier. Given that 7% of our sample changed funds when they changed jobs, and quite a few in jobs such as retail, hospitality, cleaning, health support services etc would have employers using the same default industry fund when they changed jobs, this suggests that not a lot of people are using the choice provisions to keep their old fund when they start a new job, with perhaps 3 or 4 percentage points of the total 14% changing jobs an upper estimate of this.

4. The costs of unnecessary duplicate accounts and lost accounts

The costs can be broken up into three categories:

- the additional costs for members associated with having some part of their superannuation savings in an Eligible Rollover Fund;
- the costs to fund members of account balances being sent to Unclaimed Monies arrangements administered by State and Territory governments; and
- the additional costs of having superannuation savings in an unwanted and unneeded account. All up, around 10 million such accounts are involved.

4.1 Costs associated with Eligible Rollover Funds

The APRA Annual Statistical Bulletin indicates that at June 2005 indicates that the 15 Eligible Rollover Funds (ERFs) then in existence had 4.6 million members. This accounts for just under half of the unnecessary duplicate accounts in the superannuation system, and the bulk of the 5.4 million accounts listed on the Lost Members Register (LMR) maintained by the Australian Taxation Office. In June 2005 ERFs had a total of $5 billion in assets, only a small proportion of the then $762 billion in assets in the system, but a large proportion of the $8.2 billion in accounts listed on the LMR.

A more recent ASFA survey indicates that as at 30 June 2006 ERFs had $5.4 billion in assets and 4.8 million members. This compares to 5.7 million accounts listed on the LMR as at 30 June 2006, with a total of $9.7 billion in assets. Accounts listed as lost but which have not been transferred to an ERF typically have a higher account balance than ERFed accounts. However, the average balance for the 900,000 or so lost or inactive accounts retained in the mainstream funds is still fairly low at just under $5,000.

There are perceptions that ERFs are low return and high fee. Neither description is strictly accurate. A number of major ERFs now make use of balanced investment portfolios and have returns comparable to other balanced funds. In some millions of ERF accounts in recent years there have been investment returns as high as 12% or 14% in certain years, with fees as low $10 per year per account and 0.45% of assets. Other ERFs have had lower returns, with those funds which have capital secure investment portfolios offering returns comparable to investment options within other funds which are capital secure. There has been a trend to more ERFs having balanced portfolios.

As to the fees, typically ERFs have no or a very small annual fee in dollars per account, recovering the bulk or all of costs through a percentage based fee. This has been estimated at around 1.6% of assets in a RiceWalker report prepared in 2004 and at 2% in the Choice report. This is higher than is typically the case for industry, public sector and larger corporate funds, but not very high relative to the fee levels of many retail funds catering for personal members (as opposed to those enrolled in group employer arrangements).

Even if it were accepted that average total fees for ERFs are 2% of assets, this indicates that the total fees for the 4.6 million accounts in ERFs are around $100 million in aggregate. Of this around $60 million relates to investment costs, which would also be incurred if all the $5 billion in ERFs was consolidated into other existing accounts. Some ERF accounts cannot be consolidated, because they are the only account an individual has.

Accordingly the extra cost associated with the 4.6 million accounts in Eligible Rollover Funds is no more than $40 million in aggregate. This may not seem a lot given that it involves nearly 50% of the duplicate accounts in the system, but it is perfectly explicable. Eligible Rollover Funds were established as a low cost mechanism for dealing with lost and inactive accounts. Member statements and annual reports are not sent out to members for which there are no valid addresses or contact details, with call centres also only dealing with those members who get reunited with their account. Accordingly far fewer trees are chopped down in order to manufacture paper for such correspondence than the 40,000 trees a year claimed in the Choice research report.

4.2 Costs associated with payments to Unclaimed Monies

Superannuation legislation provides that when superannuation monies become payable but are unclaimed these become unclaimed monies which must be transferred to the State or Territory revenue office in which the headquarters of the funds is located. In the past this transfer has generally happened when a member has turned 65 and the benefit has not been paid or an income stream commenced.

Payments to State and Territory revenue offices of unclaimed superannuation moneys have not been large in the past. A recent Australian National Audit Office report indicates that of accounts that have been listed on the LMR, only 2,000 accounts with a total of $5 million in aggregate had been transferred as at 30 June 2005.

Information from State and Territory revenue offices suggests that unclaimed superannuation monies amount to only between $40 million and $50 million in total at an average of around $2,000 per unclaimed account.

In the future the amounts sent to the States and Territories will be small and perhaps negligible, as due to Simpler Superannuation changes to the cashing rules for superannuation there is no longer any requirement to pay out a benefit at age 65. Only when a fund knows that a fund member is dead or the fund rules require a benefit to be paid can an account balance become potentially unclaimed. Perhaps funds will assume that a member is dead when on the basis of the records held the member appears to have achieved the age of 100 and still has not claimed their benefit.

4.3 Costs associated with unwanted and unneeded accounts other than in ERFs

Given that there are 4.6 million accounts in ERFs, there would appear to be no more than around 5.4 million accounts in other types of funds that could be described as unwanted and unneeded.

The Choice report claims at page 22 of that report that a conservative ball park estimate of the aggregate cost of unnecessary accounts is around $1.5 billion in additional charges. The Choice estimate is based on a higher number of accounts than is assumed in this research report. It also ignores the fact that at least 4.6 million of the accounts involve relatively low aggregate administration costs ($40 million in aggregate). Further Choice in effect assumes that the unnecessary accounts have balances similar to other accounts, which is unrealistic given that secondary unwanted and forgotten accounts almost without exception have relatively low balances. That is a primary reason why they get forgotten or neglected.

The Choice report also assumes that account consolidation would make all the fees associated with a secondary account go away. This is not correct as asset based investment management and other fees would remain. All that can be safely assumed is that any fixed charge associated with an account would no longer be paid.

Averaging across industry and retail funds an assumption of an average fixed dollar administration cost of around $50 per account per year is reasonable. For 5.4 million accounts total additional fees of $270 million a year are involved.

4.4 Aggregate costs associated with lost and unneeded accounts

Aggregate additional costs are made up of around $40 million for Eligible Rollover Funds, around $5 million or less going to Unclaimed Monies, and around $270 million for unnecessary accounts remaining within mainstream superannuation funds. This totals around $315 million a year.

5. Policy and other initiatives to reduce unnecessary administration and other costs

While the costs involved are nothing like the $2 billion a year claimed by Choice, $315 million a year could be better spent if it added to retirement savings rather than being spent on administration. There is no disagreement between funds, the government and fund members in regard to that.

The existence of multiple, unnecessary accounts is in no way some sort of fund conspiracy against members or a way of increasing revenue from administration fees. Duplicate, low balance accounts place a considerable burden on many funds through the operation of member protection provisions prohibiting the charging of administration fees, and funds are very supportive of any practical measures which will assist with efficient and appropriate consolidation of accounts.

Accordingly many funds have been active in assisting fund members to consolidate accounts and in assisting members to find any superannuation balances that they have lost touch with. A number of government initiatives have also been designed to encourage and facilitate the consolidation of accounts. ASFA itself also has been active in putting forward proposals and in developing industry protocols to help reduce the incidence of any unnecessary or lost superannuation accounts. Funds, the government (particularly the Australian Taxation Office), and ASFA have already invested considerable time, money and effort in the development of better processes, systems, education and matching of accounts.

However, it is possible to overstate the current extent of barriers to consolidation. The next sub-section attempts to put the problems of consolidation into perspective.

5.1 Is it really that hard to transfer account balances?

While the Choice report implies that funds make it difficult if not impossible for members to consolidate their accounts – "transfer troubles rife" in the terms of Choice - APRA figures show that hundreds of thousands of members successfully leave funds when they want to. For instance, in 2004-05 271,000 members resigned from industry superannuation funds and took their account balances elsewhere, while 366,000 retail fund members did similarly. If over 780,000 fund members in total managed to resign and exit funds, it could not have been all that hard. Self reported reasons of it "is too hard to consolidate" might be accurate in some cases but all too often "could not be bothered" or "have not got around to it yet" might be better descriptions. A few hard cases do not mean that the system is fundamentally broken.

In particular, it is not enough for a member to be sure who they are, and that an account with a fund belongs to them. Being able to quote a tax file number for the old account, and having the same tax file attached to a new account does not establish proof of identity or authority to undertake a transfer of balance, no more than sending a copy of a photo of yourself establishes your identity. Our banking system would be in a sorry state if all you needed to withdraw from an account was the ability to name the account name and quote a consistent tax file number. This would especially be the case if proof of identity were not required to open an account, which is generally the case with superannuation.

5.2 Recent government initiatives to make it easier to find and transfer superannuation

As part of the plan to simplify and streamline superannuation announced in the May 2006 Budget, the Government is introducing a range of new arrangements.

Portability arrangements

Currently superannuation funds must transfer a benefit as soon as practicable after a request is received, and in any event within 90 days. While funds in almost all instances process transfers within much shorter timeframes than 90 days, the maximum time limit is to be reduced to 30 days. The 30 day period will commence from when a person has provided all necessary information, and trustees will be required to follow up incomplete requests promptly.

All funds will be required to accept a standard form for portability requests. The form will include standard proof of identity requirements to ensure uniformity amongst funds. The aim is to make it easier for most members to provide the necessary information. As indicated below, ASFA has been significantly involved in the development of the form. Amongst other things, the consultation draft of the form was based on the ASFA model form for funds.

Lost Members Register

The Government is introducing a number of measures designed to give the Australian Taxation Office a more active role in facilitating the consolidation of lost accounts.

This will include:

- Rationalising existing processes used to identify actual lost members, including redefining lost members to exclude inactive accounts and more comprehensive reporting from funds.
- Allow amounts of less than $200 to be paid tax free.
- The conduct of an extensive letter campaign to lost members in 2007-08 and 2008-09 with further activity over a four year period through a combination of outbound phone calls and letters.
- Establishing an internet based tool through which members can locate their lost accounts using their Tax File Number and generate a pre-populated portability.
- By 2009-10 members will be able to electronically request consolidation of their accounts through the Australian Taxation Office website.

Even before these changes were made Australia had the best system in the world for getting fund members back in touch with their superannuation or pension fund. Only a handful of countries have central registers of lost members, and no others make as much effort to get members back in touch with their fund.

Better identification of members also is one of the key factors in achieving greater rates of consolidation of accounts. Getting new account holders (and their employers) to provide Tax File Numbers (TFNs), as proposed by the government in 2006 Budget superannuation changes, will certainly assist in dealing with the problem in future, but will not tackle the issue of past multiple accounts, where identification details are not clear. ASFA have been actively working with the ATO and Treasury on ways of achieving better provision of Tax File Numbers from fund members, and in ensuring that employers pass on Tax File Numbers when they have been requested to do so by their employees.

5.3 Recent initiatives by ASFA which aim to make the finding of lost accounts and the consolidation of accounts easier

ASFA has always been supportive of measures and practices which help members keep in touch with each and every of their superannuation accounts and which make account consolidation, where this is wanted by the member, easy and efficient.

Best practice for funds in processing transfer and rollover requests

ASFA developed and released to ASFA member funds in March 2006 ***ASFA Best Practice Paper Number 25,*** *Transfer, rollover and cashing of benefits: a guide to processing superannuation fund member requests*.

The paper pointed out to funds that timely processing of requests should be seen as much more than a compliance issue. Good fund governance would indicate to trustees that the members of the fund should be able to have requests processed in a timely manner, but safe in the knowledge that adequate checks have been made to ensure that transfers, rollovers and benefit payments are both properly requested and properly payable.

The paper accordingly sought to provide guidance to trustees in the establishment of best practice in the processing of member requests for transfer, roll over and payment of benefits.

This best practice includes taking into account the need to protect both members and funds against theft and fraud. While the incidence of theft and fraud is low in superannuation, it does happen. Recent examples include the theft of money in transit to a fund (Auscoal Super), misappropriation by an adviser (*Asgard Capital Management v Maher* 2002 FCA 1329) and the forging of a member's signature by the member's spouse (*SCT determination D05-06/051*). Instances of identity-theft fraud have also occurred in the industry and have the potential to increase in number as the size of member account balances increases. They would have the potential to increase significantly in number if appropriate identification requirements were not in place.

The Government also has put in place legislative requirements for financial institutions, including superannuation funds, and other businesses making cash transfers or transfers of certain valuable items, regarding verification of identification of customers. Where identification of the identity of a fund member has not taken place on joining the fund, which is often the case, necessary identification will need to take place on exit.

The model form prepared by ASFA in the context of the Best Practice Paper formed the starting point for the standard form being developed by the government. ASFA also proposed that best practice for processing transfers be 10 working days after receipt of all necessary information, rather than the maximum of 30 days now being implemented by the government.

Developing standards and protocols

ASFA has played a key role in the development of standards and processes for electronic transfer of information between superannuation funds, thereby facilitating consolidation of account processes amongst other things. The swimEC (Superannuation, wealth and investment management electronic commerce) program is tasked with creating the standards and processes required for electronic exchange of information in the superannuation and managed funds industry.

The swimEC program is an initiative of the superannuation and managed funds industry with a governing council comprising the key bodies: The Association of Superannuation Funds of Australia Limited (ASFA); the Australian Taxation Office (ATO); the Investment and Financial Services Association (IFSA); The Association of Payroll Specialists (TAPS) and the Financial Planners Association.

Use of the swimEC standards and processes is growing and has the potential to substantially increase the efficiency and timeliness of transfer of account balances and consolidation of accounts.

Registers of names and addresses of superannuation funds

ASFA has been active in encouraging the development by the various regulators of public registers which allow individuals to carry out searches for contact details for existing funds, and also importantly for funds that have closed down or merged with other funds.

The ASFA secretariat also regularly is contacted by members of the public seeking assistance in getting in touch with funds, and frequently ASFA is able to assist individuals in such searches.

5.4 Initiatives by funds which aim to make the finding of lost accounts and the consolidation of accounts easier

Funds typically offer a range of services and facilities aimed at assisting members to consolidate their superannuation into a preferred account and to find any account balances they have lost touch with.

These services include offering to new fund members to search for any accounts on the Lost Members Register and to then undertake the administrative action needed to transfer such amounts. Specific member consent is needed for such activities and it is appropriately sought for new members.

Funds also take into account the activities undertaken by specific Eligible Rollover Funds relating to the reuniting of members with lost superannuation accounts in the selection process for choosing an Eligible Rollover Fund. A number of ERFs are very active in seeking out the owners of accounts transferred to them and in facilitating search activity by individuals who consider that they may have superannuation amounts owing to them.

The Corporations Act and ASIC policy guidelines place constraints on what funds and advisers can say to new (and old) members about account consolidation, but these legal constraints do not have a marked impact on consolidation activity by funds. Any review of the regulation of advice and of switching activity between funds would need to balance member protection against inappropriate switching activity against potential benefits of consolidation of lost and multiple accounts.

5.5 The recommendations made in the Choice report on multiple superannuation accounts

The report commissioned by Choice made nine recommendations. It could be argued that a number of these recommendations have already been overtaken by the enhanced role being given by the government to the Australian Taxation Office in regard to the seeking out of lost members and consolidation of accounts. Other recommendations in the Choice report while having the noble aim of reducing the incidence of multiple accounts have the potential to substantially disadvantage fund members in both the short and long terms.

A real time system for consolidating accounts?

The Choice recommendations proposing that there be a real time electronic based system for transferring superannuation account balances implies that proof of identity be required for all accounts up front. It also basically has to assume that all members receive and retain Personal Identification Numbers or other unique key which could be used to authorise such transactions.

Establishing a real time electronic transfer system for superannuation account balances would certainly make transfers more timely, but the costs of doing this would without doubt outweigh the potential benefits. For instance, requiring upfront identification before allowing a superannuation account to be opened or contributions to be received would mean that many employers would be unable to make contributions for employees within the timeframe allowed by the Superannuation Guarantee legislation or at all.

The Superannuation Guarantee (SG) effectively imposes a requirement on employers to contribute a prescribed amount to a superannuation fund on behalf of its employees. There are strict time limits for payment, so a late payment can trigger significant tax penalties on the employer. This requirement creates a situation where employers often request superannuation funds to open accounts for new employees, so that the SG payments can be made. This is permitted under current law and is common industry practice. A large majority of contributions flowing into the superannuation system can be categorised as mandated employer contributions.

For an “employer-sponsored” member, there is no legal obligation for the new member to complete an application form and the fund has up to three months after the member joins the fund to provide the member with a Product Disclosure Statement. There are minimal legal obligations on employers to provide information about the member, although in the future employers will be required by law to pass on Tax File Numbers to funds when this has been requested by employees. The incidence of employees asking for their details to be passed on is likely to increase in the future given that high, indeed punitive, rates of tax will apply to contributions for which no Tax File Number has been supplied.

However, going back and requiring the provision of adequate personal identification for all account holders would be a labour intensive and expensive process. If that cost funds $50 per account, then total costs of over $1 billion might be involved in the initial round of identification. This would end up being paid by all fund members.

The Choice report also has another recommendation that more comprehensive data on members be collected, including on the employment and migration status of the account holder. Requiring funds to collect this information on an ongoing basis would add considerably to the administration costs of funds.

Superannuation funds conduct much of their identification activity at the payment point so as to ensure that a benefit is paid correctly. ASFA has previously issued ASFA Best Practice Paper No. 20: Managing the Risk of Fraud and Theft in Superannuation Funds and more recently ASFA Best Practice Paper No. 25: Transfer, Rollover and Cashing. These papers highlight that the benefit payment stage is a more appropriate time at which any required identification should be made.

The establishment of a central consolidation fund?

The Choice research report recommends that the Government establish a Central Consolidation Fund which would act as a default fund for casual employees and also cover account balances now held in ERFs.

Such a central fund has been tried in Australia but has not been a success. The superannuation holding accounts special account, established under the *Small Superannuation Accounts Act 1995*, was closed to employer superannuation deposits on 30 June 2006. Up to this date, the special account received small superannuation amounts from employers

The special account does not operate as a superannuation fund and payment of interest is subject to certain conditions. These conditions are that interest is payable on the first $1,200 of each account balance after a fair approximation of costs incurred by the Australian Taxation Office have been recovered, including carried forward losses. As in previous years, costs and carried forward losses exceeded interest payable, therefore interest was not payable on special accounts during 2005–06.

A greater scale in operations and the use of competitive tendering in establishing administration and investment arrangements might lead to a happier outcome. However, there would be a real risk that such a central fund would largely eliminate the $300 million or more a year on average that is credited to accounts held in Eligible Rollover Funds. This would bring no joy to the former members of ERFs.

Requiring funds to implement a request for a transfer within 30 days of the request being lodged?

If the Choice recommendation that a superannuation fund have a maximum of 30 days to implement a requested transfer starting from the date on which the transfer request was lodged rather than from when the fund has gathered together all required information was implemented literally then a major opportunity for theft and fraud would arise.

Much if not all of the information required by funds relates to the proper identification of the person making the request for the transfer. Requiring funds to transfer account balances within 30 days of a supposed request being made with funds not being given the scope or authority to check that person making the request is who they say they are and/or the owner of the account concerned would mean that no account balance would be safe. Funds would have to transfer account balances regardless of whether proper identification was provided.

Requiring funds to transfer account balances within 30 days of a request being made without requiring appropriate identification details would also put funds in breach of the new Anti-Money Laundering legislative provisions being progressively introduced. This would not be an acceptable situation for trustees.

It is arguable whether or not a greater duty of care applies to a trustee where a benefit is being 'cashed out' than when a benefit is being rolled over. Identity theft can operate in many ways and a benefit that has been rolled over is only one transaction away from being cashed out. Being transferred to an account in the same name as the first superannuation account provides no protection at all.

Requests by superannuation funds for further information are not made on an arbitrary basis. As well, once the new portability forms currently being developed by the government come into effect there will be uniform proof of identity requirements across the sector.