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The Treasury  
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Dear Sir/Madam

### **Submission: Discussion Paper on Proposed Financial Institutions Supervisory Levies for 2011-12**

The Association of Superannuation Funds of Australia (ASFA) is a non-profit, non-political national organisation whose mission is to advance effective retirement outcomes for members of superannuation funds through research and advocacy. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds as well service providers some of whom deal with self managed superannuation funds (SMSFs), has over 90% of the approximately 12 million Australians with superannuation as members. ASFA members manage or advise on the bulk of the \$1.3 trillion in superannuation assets. ASFA is the only organisation that represents all types of superannuation funds and associated service providers.

#### **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 is 22.5% higher than the previous year. This is despite the number of APRA regulated superannuation funds (other than Small APRA Funds) falling from 510 in December 2009 to 439 in December 2010.

A significant contributor to the increase in the amount sought to be recovered from superannuation funds is the additional \$4.2 million allocated for the commencement of work supporting the Government's *Stronger Super* initiatives. It is ironic that one of the first outcomes from adopting MySuper and related initiatives is an increase in costs in the form of the amount of levy to be raised from superannuation funds and hence from member accounts.

The amount of \$7.2 million sought for the operations of the Australian Taxation Office in regard to the Lost Members Register (LMR) is up by 5.9% from the amount recovered for this in the previous year. This is a very substantial amount, 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. Operating the Register is claimed to have a cost equivalent to over 25% of APRA's costs for comprehensively supervising the superannuation sector. It also is not much less than the amount required by ASIC to cover both the costs of the operation of the Superannuation Complaints Tribunal and superannuation related activities of ASIC more generally.

The recent Australian National Audit Office report on the administration of the Lost Members Register recommended that the ATO provide greater clarity on the total costs of administration. ASFA considers that this should be provided no later than 2011-12 before the next levy discussion paper is prepared.

The need for greater clarity and transparency in the costing is reinforced by the fact that the Departed Temporary Residents and unclaimed monies measures of the government have led to over 25% of the accounts listed on the Lost Members Register as at June 2010 now being 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. The ATO has already received budget funding to cover the cost of administering those unclaimed monies.

### **The levy parameters for 2011-12**

ASFA considers that the levy rates should be amended in order to provide for a lower payment to the ATO given that a considerable proportion of the costs of the Lost Members Register in 2011-12 will relate to unclaimed monies administered by the Australian Taxation Office.

ASFA notes that Scenario 2 (the approach recommended in the Discussion Paper) leads to a 51% increase in levies for relatively small superannuation funds (in the \$50 million to \$250 million). ASFA does not oppose this increase, especially given that there was a reduction in levies for such funds of over one third the previous year. ASFA considers that the minimum levy should reflect the fixed cost component of APRA prudentially supervising any specific fund. Such fixed costs can be substantial.

ASFA also notes that for a \$20 billion fund the proposed levy is \$545,800, an increase of 30% from the year before. This follows a 10.3% decrease in the levy the year before. This significant increase appears to be driven by the increased funding being recovered in regard to Stronger Super related activities. For a \$5 billion fund the increase at 13.2% is more moderate reflecting the smaller impact of the unrestricted levy component on such funds.

While each of the levy scenarios presented will lead to higher costs for funds which will be passed onto fund members, ASFA considers that Scenario 2 (with a lower payment to the ATO) should be the preferred option.

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

Yours sincerely

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