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Manager  
Contributions and Accumulations Unit  
Personal and Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [expandedreporting@treasury.gov.au](mailto:expandedreporting@treasury.gov.au)

Dear Manager,

### **EXPANDED SUPERANNUATION REPORTING – SUPPLEMENTARY SUBMISSION**

Further to our submission of 9 August 2012 on the Expanded Superannuation Reporting exposure draft legislation, the Association of Superannuation Funds of Australia (ASFA) would like to provide a supplementary submission.

In our previous submission ASFA noted that the change from collecting information about contributions made with respect to persons who are fund members at the end of the reporting period to collecting information about all interests held by the fund during the reporting period provided opportunities to create additional efficiencies within the superannuation industry and recommended that these opportunities be identified, examined and recognised in amended ATO arrangements for the collection of superannuation related information.

In that submission we identified one such opportunity with regard to the information contained on rollover benefit statements.

Discussions with ASFA members has identified another such opportunity – simplifying superannuation fund reporting arrangements with respect to lost members and resolving an issue with multiple definitions of the term ‘inactive member’.

ASFA and its members request that the opportunity be taken in the context of the expansion of the ATO reporting arrangements to urgently consider this change to lost member reporting arrangements.

#### **About ASFA**

ASFA is the peak policy, research and advocacy body for Australia’s superannuation industry. It is a not-for-profit, sector-neutral, and non-party political national organisation whose aim is to advance effective retirement outcomes for members of funds through research, advocacy and the development of policy and industry best practice.

ASFA’s focus is on whole of system issues and its core strategies are aimed at encouraging industry best practice, advocating for a system that plays a productive role in the Australian economy, and ensuring the industry delivers on its primary purpose of delivering decent retirement incomes.

Our membership - which includes superannuation funds from the corporate, industry, retail and public sectors, and, through its service provider membership, self-managed and small APRA funds - represents over 90 per cent of Australians with superannuation.

### **Lost Member Reporting**

The *Superannuation (Unclaimed Monies and Lost Members) Act 1999* (SUMLMA) requires superannuation funds and RSA providers to, among other things, provide to the Commissioner of Taxation information about lost members.

The purpose of the requirement is to enable the Commissioner to keep a register (the lost members register) of details relating to lost members, so that the benefits of lost members can be claimed by persons entitled to them.

With respect to a member of a superannuation fund, a lost member is defined within the *Superannuation Industry (Supervision) Regulations 1994* as follows:

#### **1.03A(1) [Lost member criteria]**

A member of a fund is taken to be a lost member at a particular time if:

**(a)** the member is uncontactable, that is, if and only if:

**(i)** the fund has never had an address for him or her; or

**(ii)** 2 written communications or, if the trustee so chooses, 1 written communication have been sent by the fund to the member's last known address and returned unclaimed; or

**(b)** the member is an inactive member, that is, if and only if:

**(i)** he or she has been a member of the fund for longer than 2 years; and

**(ia)** he or she was, at the time he or she joined the fund, a person in respect of whom there was in effect a contribution arrangement of the kind referred to in subsection 16.5 of the Act (which deals with the definition of ***standard employer-sponsored member***); and

**(ii)** the fund has not received a contribution or rollover in respect of him or her within the last 5 years of his or her membership of the fund; or

**(c)** the member joined the fund from another fund or an EPSSS as a lost member; or

**(ca)** the member joined the fund from an RSA provider as a lost RSA holder;

unless:

**(d)** within the last 2 years of the member's membership, the trustee of the fund has verified that the member's address is correct and has no reason to believe that that address is now incorrect; or

**(e)** the member is permanently excluded from being a lost member.

A similar definition applies to RSA account holders.

As evident from the definition, conceptually, a member is a lost if they are uncontactable (the trustee is unable to communicate with the member) or they are inactive (they are an employer sponsored member of a fund for whom no contributions or rollovers have been received during the past five years).

Members are separately identified on the six monthly lost member report as being 'uncontactable' or 'inactive' and the ATO and superannuation funds use the register information about the

'uncontactable' lost members to reunite those members with those accounts and to encourage them to consolidate the account with another interest the member may have.

ASFA members have long been concerned with the presence of 'inactive' accounts on the register as generally the member is aware of where the account is and they are receiving communications from the fund about the account. For these members to be approached and told they are 'lost' causes confusion for the member and reputational damage to the fund. To address this, several years ago the ATO began separately identifying uncontactable and inactive accounts so that the activity of funds and the ATO could be better targeted at the uncontactable members.

In the context of the draft legislation under consideration, ASFA notes that one of the purposes of expanding the information collected on the annual Member Contribution Statement (MCS) is to enable the ATO to collect information about all accounts in the system. The ATO has indicated that it will maintain this information in a database and that a member will be able to access this information through its individuals' portal.

Separately, the Government's proposals around inter-fund consolidation of accounts will apply to certain accounts within funds which are considered to be inactive because there have been no rollovers or contributions received in the previous years. It is expected that to support this measure funds will be required to separately identify accounts which meet the lack of activity criteria and report them annually on the MCS report.

ASFA considers that this requirement will make superfluous the requirement to report to the lost members register members whose accounts have been inactive for 5 years.

ASFA requests that consideration be given to reviewing the definition of a lost member so as to remove the reference to inactive accounts. The benefit of the change would be reduced reporting requirements, a single definition of inactive account, a better focus on the purpose and use of the lost members register and its information and better targeting of efforts with respect to these accounts.

Consideration could also be give to the benefit of changing the current six monthly reporting requirement for lost members to an annual requirement, thus facilitating the consolidation of this reporting into the annual MCS report.

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If you have any queries or comments regarding the contents of our submission, please contact our principal policy adviser, Robert Hodge on (02) 8079 0806 or via e-mail to [rhodge@superannuation.asn.au](mailto:rhodge@superannuation.asn.au).

Yours sincerely  
Margaret Stewart



General Manager, Policy and Industry Practice