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Manager
Benefits and Regulation Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600
Email: strongersuper@treasury.gov.au

Dear Sir/Madam,

REPEALING MEMBER PROTECTION STANDARDS

Thank you for the opportunity to comment on the exposure draft of regulation amendments to repeal the member protection standards in the *Superannuation Industry (Supervision) Regulations 1994*.

The Association of Superannuation Funds of Australia (ASFA) is supportive of the proposed change but has a concern about the applicability of the Corporations Act's significant event notification requirements to this change.

About ASFA

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. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds (SMSFs) and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General Comments

ASFA notes that this measure will implement a recommendation of the Super System Review.

ASFA further notes that the abolition of the member protection standards will enable trustees to meet the legislated MySuper fees rules which mandate that all MySuper members are charged fees on the same basis with respect to their MySuper interest.

ASFA is supportive of the proposal. We consider that, while the standard was deemed necessary when the Superannuation Guarantee (SG) was first introduced, the member benefit protection standard has outlived its purpose. With the increase in the SG rate from 3% at inception to 9%, its scheduled increase to 12% and the inflation in wages since the threshold was set in 1995, member account balances will generally rise more quickly than was the case when the standard was introduced. That is the \$1,000 threshold at which the standard does not apply will be achieved in a shorter period of time by a person first entering into regular employment than was the case in 1992.

Removal of the standards will both encourage members to take an interest in their superannuation and resolve a perceived equity issue whereby the benefits of members of eligible rollover funds have the benefit of the member protection standards irrespective of the size of their account balance (Regulation 10.06(3)).

Specific Comments

We have reviewed the draft regulations and explanatory material and consider that they will achieve the Policy objective.

One outcome of this change will be that protected members will face an increase in actual fees paid and non-protected members a fee reduction. That is, the fee schedule as set out in the Product Disclosure Statement will no longer apply and some member's will no longer receive the benefit of the member protection fee rebate while other members will not have to contribute to the cost of member benefit protection. This raises the question of whether this is considered by ASIC to be a 'significant event' and whether the minimum 30 days notification is required.

Recommendations

ASFA recommends that advice be sought from ASIC on the issue.

ASFA further recommends that should the advice be that it is a significant event that ASIC be requested to provide relief from the 30-day notification requirement.

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

Yours sincerely



Fiona Galbraith
Director, Policy