

13 February 2013

Manager  
Benefits and Regulation Unit  
Personal and Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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

Dear Sir/Madam,

**Exposure draft of regulation amendments: Repealing member protection standards**

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST supports the measures proposed in this exposure draft (ED) relating to repealing member protection standards. AIST was a member of the SuperStream working group and the Peak Consultative Group as part of the Stronger Super consultation, and supported the repeal as a part of the account consolidation measures announced by the Government.

Abolishing member protection rules was recommendation 10.14 in the Super System Review, and was supported by all participants on the same basis: *"There was support for abolishing the member protection rules but only where it was timed to coincide with related account consolidation initiatives being considered as part of the SuperStream reforms."* [p.12, Stronger Super Outcomes of Consultation Process]

The account consolidation initiatives developed as part of the SuperStream reforms have not yet been implemented nor has relevant legislation been drafted (although intra-fund consolidation measures are slated for introduction during the current session of parliament).

However, AIST notes that the government introduced the following changes in its Mid-Year Economic and Fiscal Outlook announcements:

- The account balance threshold below which inactive accounts, and accounts of uncontactable members, are required to be transferred to the ATO has been increased from \$200 to \$2,000;
- Interest will be paid at a rate equivalent to Consumer Price Index inflation from 1 July 2013 on all lost superannuation accounts reclaimed from the ATO; and
- The period of inactivity before an account of an unidentifiable member is required to be transferred to the ATO will be reduced from five years to 12 months.
- The changes to the transfer of lost accounts to the ATO took effect from 31 December 2012. The ATO will be using its data matching resources to match these lost accounts with members.

AIST also notes that the member protection standards are inconsistent with the MySuper fee rules, thus requiring an amendment of either rules or the standard. Further, these standards exempted unitised funds (Regulation 5.14), and so were not uniformly or equitably applied.

Given the above circumstances AIST supports repealing member protection standards.

Notwithstanding this, the costs levied before earnings may increase as a result of the repeal of the standards for some small balance members, and therefore may accelerate their erosion.

In parallel with drafting legislation and regulation to implement forthcoming account consolidation measures, AIST calls on the Government to monitor the effects of this repeal in relation to the potential erosion of benefits. This may be an issue for accounts receiving low level or sporadic contributions.

If you have any further questions regarding this submission, please contact David Haynes, AIST Project Director, on 03 8677 3804 or at [dhaynes@aist.asn.au](mailto:dhaynes@aist.asn.au)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia,  
**Executive Manager, Policy & Research**