

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124

Wealth Management

Commonwealth Bank Place
11 Harbour Street
Sydney NSW 2000
Australia

PO Box 2719
Sydney NSW 1155
Australia

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

Email: UnclaimedMoney@treasury.gov.au

Dear Sir/Madam,

LOST AND UNCLAIMED SUPERANNUATION MONEY Discussion Paper June 2013

Thank you for the opportunity to comment on the discussion paper as above. We support the principles of the Government's retirement income policy to ensure that all Australians have an adequate and secure retirement income, and the objectives of the Stronger Super reforms.

About the Commonwealth Bank of Australia

The Commonwealth Bank of Australia (CBA) is one of Australia's leading and largest providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. The Group's Wealth Management division manufactures and distributes through Colonial First State Global Asset Management, Colonial First State (CFS) and CommInsure, and provides financial advice through the Wealth Management Advice businesses.

This submission in particular relates to both CommInsure as a provider and administrator of a diverse range of legacy and closed superannuation products, annuities and insurance bonds and CFS as a provider and administrator of superannuation products.

CommInsure

CommInsure is a wholly owned subsidiary of the Commonwealth Bank. We are the specialist insurance arm of the Commonwealth Bank's Wealth Management business unit. CommInsure manufactures and provides a range of investment, superannuation and retirement products. While the CommInsure name was first introduced in 1999, its origins within the Australian insurance industry date back well over one hundred years.

SuperTrace Eligible Rollover Fund (SuperTrace) was established in July 1994 and has rapidly grown into the largest ERF in Australia. SuperTrace holds in excess of a quarter of the total ERF market^[1] with over \$1.6 billion in funds under management (FUM) and over 1.2 million members. CommInsure is the administrator of SuperTrace.

Colonial First State

Established in 1988, CFS specifically provides investment, superannuation and retirement products to individuals as well as to corporate and superannuation fund investors. CFS is one of Australia's largest providers of superannuation, managed investment and retirement income platform providers with over \$70 billion in funds under management.

General comments: Stronger Super Reforms

The Wealth Management division of the CBA has been directly involved in the Stronger Super consultation process during the development of the Government's legislation. CBA has made a number of formal submissions directly and through the Financial Services Council (FSC) and Association of Superannuation Funds of Australia (ASFA), as well as being involved in the SuperStream Working Group and as a member of the Affiliation of Superannuation Practitioners (ASP).

We strongly support the policy intent of Stronger Super to assist members to locate lost accounts and reduce unnecessary multiple accounts. We see this as a key part of the suite of reforms and important to the ongoing efficiency of the industry and in promoting the increased engagement of members with their superannuation.

With the rest of the superannuation industry, we have invested, and will continue to invest, in the SuperStream initiatives that will assist members to locate super and reduce unnecessary accounts. We have run campaigns using the searches available to funds on SuperMatch, commenced processes to consolidate accounts within funds, and supported financial advisers to assist their clients accessing SuperSeeker.

^[1] SuperRatings 2012 Annual Eligible Rollover Fund Survey

The full range of initiatives which will support members in locating and consolidating their superannuation are only in their early stages however. As indicated in your discussion paper, the following changes are either only just commencing, or not yet commenced.

- SuperSeeker and SuperMatch are effective tools for members to locate and give instruction on consolidation; however the data available on these services will only be complete after the fund Member Contribution Statements (MCS) of 2012-13 have been provided to the ATO, which will not be complete until October 2013.
- Intrafund consolidation, was legislated as late as 25 June 2013, and the first round of consolidation will not be completed until 30 June 2014.
- The first accounts transferred to the ATO under the new threshold for lost superannuation monies were only completed in May 2013, and the ATO has had no opportunity to include these accounts in their Reuniting Super strategy.
- A new process leveraging the SuperSeeker data and functionality has not yet been established to improve the new employee enrolment process.
- Further consolidation initiatives, including auto-consolidation, are still being developed, and expected to be reviewed in late 2014.

Given this range of current and upcoming changes, and the success of current processes reuniting members with their super (as noted in section 3.2 of the discussion paper), it is our opinion that these strategies need to be given sufficient opportunity to have material effect on the number of unnecessary multiple accounts in the industry before any further changes are made. The superannuation industry is in the midst of the most significant reforms in recent history, and the full impact of these reforms in reducing multiple accounts will not be known for some time.

We therefore suggest that no further changes be implemented before 2017 (including proposed further increases to the account balance threshold below which lost members balances are transferred to the ATO). This will allow the current reform agenda to complete, allow sufficient time for the current reforms to take effect and will align with the conclusion of the transfer of balances to MySuper products.

Insurance concerns

The Wealth Management division of CBA is of the opinion that insurance attached to superannuation is a key part of the landscape of ensuring adequate financial security to members. We retain a concern previously raised within the consultation process about the possibility of accounts that have insurance benefits attached being consolidated or transferred and resulting in loss of benefit. We do not believe that this concern has been adequately addressed to date.

The group insurance landscape is changing with the introduction of new arrangements for MySuper defaults, and it will become increasingly difficult for individuals to access group cover arrangements through superannuation funds due to changing cost models for insurers. This means that it is important for individuals to be able to retain insurance cover when they obtain it. The loss of cover inadvertently could have lasting and serious impacts on an individual's financial situation. It is vital that these matters are further considered before auto-consolidation is implemented.

Responses to specific consultation questions

Following are our responses to the specific consultation questions.

21. Should the existing suite of strategies to re-unite people with their lost accounts and unclaimed monies be enhanced?

As stated above, the Wealth Management division of CBA is strongly of the opinion that the existing changes being managed by the industry need to be given sufficient time to have effect, and the industry given the chance to integrate these changes into standard processes.

22. Are there other initiatives that could help reduce the number of lost and unnecessary accounts in the Australian superannuation system and reunite more of these accounts with their owners?

We are of the opinion that two key initiatives, further to the ones already underway, could have an effect on the number of unnecessary accounts, and the amount of unclaimed money within the system.

1. After the 2012-13 MCS report is made to the ATO, that office will have access to information on all superannuation accounts in the system. We understand that the ATO is already undertaking activity to locate and reunite people with their lost and unclaimed superannuation. However, after the changes to the MCS have effect, the ATO will have the largest repository available on total holdings in the industry. This brings with it a responsibility to communicate this information back to those account holders. This could be achieved through integration with the e-Tax process to either include a link to SuperSeeker, or a list of accounts with a reminder to consolidate.
2. Temporary resident accounts, which are transferred to the ATO six months after the members leaves the country, are a particular driver of unnecessary accounts in the system, comprising a considerable portion of the total unclaimed monies held by the ATO. Greater efforts to advise temporary residents of their ability to take their superannuation benefits with them upon leaving Australia, and an improved ability for members to locate amounts from an overseas location once the monies have been transferred to the ATO would assist.

23. Is there a need for strategies, such as the new employee enrolment process described above that aim to prevent the proliferation of lost and unnecessary accounts into the future?

Improvement to the enrolment process is desirable, however must be a balanced approach to ensure the best outcomes for members. A balance needs to be established between the information that new employer contributions could be made to an existing account, or a new employer default account established, that does not impede the member seeking financial advice.

24. Are the existing strategies adequately integrated and do they work in harmony to achieve the Government's policy goal of ensuring that all Australians have an adequate and secure retirement income?

As indicated in our general comments above, the existing strategies for the location and consolidation of unnecessary accounts are in the early stages of implementation. Once these strategies have taken effect, the new enrolment processes, tracking of accounts by member TFN, and activity by the ATO to support consolidation will potentially provide an integrated program that will achieve the policy goals.

These initiatives will need to be adjusted over time to meet the changing patterns of the Australian workforce and its needs for retirement savings processes and products.

25. The current superannuation reform program is significant and impacts superannuation funds, employers and individuals. How can re-uniting and account consolidation strategies be best phased into this broad reform agenda?

As the reform program is implemented, Government and industry will need to undertake an assessment of the impacts of the strategies on all participants. As MySuper becomes established, and intra-fund consolidation and other measures are integrated, it will be necessary to review the successes and the status of lost and unclaimed superannuation, and consider further changes.

As always, these measures should be cost-effective and take advantage of improvements in processes and technologies, especially with the introduction of the mandated data and payment standards within SuperStream. Consideration of further programs should leverage the extensive investment that the industry is already making in technology and automation.

We thank you for the opportunity to make these comments and welcome the opportunity to provide further information as required. Should you have any questions regarding this letter, please contact one of us or Sarah O'Brien (Manager, Advocacy & Regulatory Services) at s_obrien@colonialfirststate.com.au or 02 9303 3148.

Yours sincerely,



Nigel McCammon
General Manager
Client Services
Colonial First State



Greg Ballard
General Manager
Superannuation & Investments
CommInsure

