

CORPORATE SUPER ASSOCIATION

SUBMISSION TO

THE SENATE SELECT COMMITTEE ON SUPERANNUATION

ON

***SUPERANNUATION (FINANCIAL ASSISTANCE FUNDING) LEVY BILL
2002***

***SUPERANNUATION (SUPERVISION) AMENDMENT BILL
2002***

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1. BACKGROUND

1.1. The Corporate Super Association

The Corporate Super Association is Australia's representative body for major Not For Profit corporate superannuation funds and their corporate sponsors.

The assets of Association members amount to approximately \$60 billion, representing about 85% of total corporate superannuation sector assets in Australia and some 750,000 individual employee fund members.

1.2. Abbreviations used in this submission

The Association	The Corporate Super Association
The Committee	The Senate Select Committee on Superannuation
SIS Act, SIS legislation	Superannuation Industry (Supervision) Act 1993, and related legislation
Levy Act	The Superannuation (Financial Assistance Funding) Levy Act 1993
The Bills	Superannuation (Financial Assistance Funding) Levy Bill 2002 Superannuation Industry (Supervision) Amendment Bill 2002

1.3. Context of submission

The submission has been prepared in response to the invitation to comment from the Committee dated 12 February 2003.

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2. SUBMISSION

We accept that the Bills are intended to improve the workability of the Levy Act to make the process of collecting levies more efficient and to share the levy burden more equally across the industry. We believe that the proposed approach is sensible, given a context where funds in difficulties are to be supported by other industry participants.

However, we have some concern with the principle of requiring that the full burden of providing assistance to funds which have run into difficulties should fall on those funds which have operated responsibly without loss or incident. We believe that this places a double burden on the funds which have not run into financial problems. They have gone to the trouble and expense of maintaining systems and procedures to minimise the likelihood of loss and underperformance. Then, they are expected to assist in making good the damage suffered by funds which in many instances have invested less effort in the process of safeguarding their members' interests or which, in a few instances, have simply been unfortunate.

We are aware that the regulators are taking their responsibilities for monitoring the system's integrity very seriously. This is a positive development but one which, through increased compliance requirements, is again increasing costs to the funds. Any cost increase should be matched by commensurate benefit to superannuation funds and their members.

The Federal Government has a number of reasons for wishing to maintain the integrity of the privately funded superannuation system. Amongst these reasons is an interest in ensuring that there is a pool of funded savings to reduce community dependence on the Social Security system. Another is that although there may be a cost in providing tax concessions for superannuation, there are regular and increasing revenue streams arising from the funding of superannuation. Therefore the Government is a major stakeholder in the superannuation system. Given this, we believe that it would be not unreasonable for some of the burden of effectively providing a guarantee for the compulsory superannuation savings system to be shared by the Government.

Our proposal for implementing this would be that there should be a regular provision from consolidated revenue to fund a financial assistance fund for superannuation funds in difficulty. This could be funded from the regular increases in revenue flowing from taxes on contributions.