

CORPORATE SUPERANNUATION ASSOCIATION Inc.

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Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Dear Sir/Madam

EXTENDING SUPERANNUATION CHOICE

I refer to Treasury's invitation to the public to make submissions on the Exposure Drafts issued for comment on 10 December 2015. The Corporate Superannuation Association provides comments below.

The Corporate Superannuation Association

Established in 1997, the Association is the representative body for large corporate not-for-profit superannuation funds and their employer-sponsors. The Association represents a total of 23 funds controlling \$64 billion in member funds, held in a total of some 613,000 individual accounts. In general, these funds are sponsored by corporate employers, with membership restricted to employees from the same holding company group, but we also include in our membership several multi-employer funds with similar employer involvement and focus. A number of our funds have defined benefit divisions.

Defined benefit funds

We recognise that the proposed amendments to Superannuation Guarantee (Administration) Act 1992 paragraph 19(2B)(c) and to section 20 are intended to close some missing links in the current legislation. They are not intended to change the situation of members whose defined benefits cannot be reduced even where contributions were directed to another fund, and who are to remain excluded from Choice arrangements.

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These people are dealt with in part by s 32F(3) (any fund selected by such a member excluded from the definition of "chosen fund") and by s 32NA(9) (no requirement on employer to provide Choice form in respect of such members). These provisions effectively deny such employees choice. However, there is an explicit exclusion from SGC under s 19(2B) for members covered by ss 20(2) and (3) (fund in surplus/ maximum benefit accrued), for whom the employer is relieved of providing a Choice form under ss 32NA(7) and (8). However, the references at s 20 do not include a corresponding exemption for our s 32NA(9) members, and we understand that the current changes are intended to provide clarity.

The communication of this exemption to members of our funds has not generally been critical in the past, because the absence of Choice has been well understood by members of the funds where their position has been covered by enterprise agreements and workplace determinations. However, now some of our funds are now facing a situation where their members believe that they may now have access to Choice but this is not available because of the exemption for employers contributing to funds in which benefits cannot be reduced.

We consider it important, for clear communication to some of the more sophisticated fund members, that the explanatory material to the legislation should state explicitly that for such defined benefit members, Choice is not, and has never been, available. The information at paragraph 1.16 of the Explanatory Memorandum to the new provisions is clear to those who understand the history of the provisions, but there has never been a very clear and explicit explanation in an Explanatory Memorandum of the background to these defined benefit provisions, because these were added subsequent to the original drafting.

We would appreciate if paragraph 1.16 of the Explanatory Memorandum could be supplemented by an explanation that the currently proposed changes to sections 19 and 20 are intended for clarification only; and that it has been the case since the introduction of the Choice of Fund provisions that members of defined benefit schemes cannot access Choice if their benefits in the defined benefit fund could not be reduced where their employer to make contributions to their other "chosen" fund.

Open defined benefit funds: clarification

It would be helpful if it could be clarified that the exemption discussed above applies to future new entrants to a defined benefit fund, as well as to existing members.

Yours faithfully



Bruce McBain
Chief Executive Officer
Corporate Super Association