

Review of Certain Superannuation Legislation
Productivity Commission
PO Box 80
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REVIEW OF THE SUPERANNUATION INDUSTRY (SUPERVISION) ACT 1993 AND CERTAIN OTHER SUPERANNUATION LEGISLATION

Thank you for the opportunity to comment on the draft report published September 2001. The Government Employees Superannuation Board (GESB) accepts the general principles embodied in the review, however two of the draft findings appear to need more thorough investigation.

The GESB's concerns in relation to each of these issues are set out below.

1. Exempt Public Sector Superannuation Schemes

The principle that exempt public sector schemes should abide by the standards of the Supervision Industry (Supervision) Act 1993 (SIS) is supported. This is recognised by the Heads of Government Agreement relating to public sector superannuation schemes. The GESB also supports the comments provided by the South Australian Government in relation to long standing rights of members, the unfunded nature of public sector schemes and the 'constitutionally protected' status of these schemes.

Draft recommendation 6.1 is not supported by any evidence of adverse impact on the Commonwealth's retirement income policy, or risk to members' benefits flowing from the exemption of public sector superannuation schemes from the SIS legislation. The paper recognises the high prudential standards imposed upon exempt public sector schemes, and that this standard is recognised in the existing Heads of Government agreement. No evidence is provided to indicate that this standard is less than it would be under full compliance with SIS.

The value of funds being released from these schemes due to any inconsistency with SIS is likely to be insignificant compared to the total benefits in the superannuation industry. In many cases these benefits are provided in the form of a pension, ensuring there is little or no possibility of the member subsequently 'double dipping' by qualifying for an age pension. As pointed out by the South Australian government, strict application of SIS could result in long standing options and rights being removed.

2. Sole Purpose Test

Surveys of the members of the GES13 have indicated great interest in it providing an increased range of products and services. This trend to a wider scope of service provision is reflected across the superannuation industry in general, and may be restricted by a strict interpretation of the sole purpose test. It is not clear if this restriction has a public benefit.

Any strict interpretation of the sole purpose test would need to be supported by justification that it is in the public interest to restrict competition this way. The fact that members are seeking additional services from their superannuation provider indicates that the current market for these services is not meeting their needs.

I trust these comments are of assistance.

Yours sincerely

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