

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

**Question: sbt 76**

**Topic: Early Release of Superannuation**

**Hansard Page: E125-E126**

**Senator EGGLESTON asked:**

Senator EGGLESTON —Indeed, that is true. I agree with that. Have you got any figures on early superannuation withdrawals? Is there an increased rate of withdrawal from funds by people?

Mr Gallagher —Not since the crisis. This is all happening in the September quarter. We will not see the September quarter APRA data until about December. So we will not have much of a feel there. There is also Centrelink information in terms of financial hardship. I would not expect to see that for some months as yet, and Centrelink do not tend to publish their information, so we would have to go looking.

Senator Sherry —Could I just clarify: are you referring here to the early access provisions, because there is an early access definition with a number of early access—

Senator EGGLESTON —Yes, there is.

Senator Sherry —Hardship is one, as Mr Gallagher has mentioned, but there are some others.

Senator EGGLESTON —There are various levels of access, aren't there, related to age?

Senator Sherry —There are different definitions for early access. One is hardship. I think it is 26 weeks continuous social security, unemployment. Then I know there is one in respect of threatened foreclosure, mortgage interest—

Senator EGGLESTON —Yes, that is right.

Senator Sherry —I think for a year, and I think there are a couple of others. I have not seen any recent data, but I am happy to take it on notice and see.

Senator EGGLESTON —I would be very interested if you could, because, of course, there has been talk of the subprime mortgage crisis affecting our economy for a while, so one would have thought that some people might have felt the need to withdraw, and also interest rates have gone up and so on.

**Answer:**

APRA have provided the statistics in Table 1 and Chart 1 based on their administration of the early release of superannuation on compassionate grounds.

## **Senate Standing Committee on Economics**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

APRA administers the very limited circumstances where benefits may be released on specified compassionate grounds defined in Superannuation Industry (Supervision) Regulations. APRA's website explains that the grounds only cover expenses in respect of:

#### **"Medical treatment**

To help pay for medical costs, for you or your dependant, required to:

- treat a life-threatening illness or injury; and/or
- alleviate acute or chronic physical pain; and/or
- alleviate an acute or chronic mental condition
- provided that the treatment is not readily available through the public health system and is not covered by any applicable private health insurance and/or Workers' Compensation.

#### **Medical transport**

To assist with the cost of transportation to and from medical treatment, for you or your dependant, when that treatment is required to:

- treat a life-threatening illness or injury; and/or
- alleviate acute or chronic physical pain; and/or
- alleviate an acute or chronic mental condition
- provided that the transport is not readily available through the public health system and is not covered by any applicable private health insurance and/or Workers' Compensation.

#### **Mortgage assistance**

To prevent your home from being sold by the lender with whom you have the home's mortgage.

This ground does not include rent, or making payment on a mortgage:

- for which you expect to have difficulty paying in the future (but are not yet in arrears);
- for which you are in arrears, but not to the extent that the lender has decided to sell;
- for which one of your dependants, other family member or friend is liable; or
- that is for a second or investment property.

#### **Modifications to your home and/or motor vehicle**

To pay for modifications required to accommodate special needs if you or one of your dependants has a severe disability

#### **Funeral assistance**

To assist with funeral, burial, cremation and other expenses related to the death of a dependant.

## **Senate Standing Committee on Economics**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

The deceased person must have been reliant on you financially, domestically or personally on you: it is not enough that the person was a family member.

#### **Care for terminal medical condition**

To provide care for yourself or your dependant if you or your dependant is dying from a terminal medical condition. This kind of care is often referred to as “palliative care”.

The law also allows APRA to approve applications for early release of benefits where the circumstances are consistent with, or directly related to, each of the specified grounds listed above.”

### **EARLY RELEASE NOT ADMINISTERED BY APRA**

#### **Centrelink and other agency involvement in administering Commonwealth Income Support Payments**

Superannuation funds, with evidence from Centrelink and other Commonwealth agencies administer release on the ground of severe financial hardship. In all cases, as part of the objective test, applicants need to provide the trustee/RSA provider with a letter from Centrelink, the Department of Veterans’ Affairs or a Commonwealth Community Development Employment Project (CDEP) grantee organisation confirming that they meet one of the following tests that they:

- are in receipt of a Commonwealth income support payment, and have been so, continuously, for the last 26 weeks; and
- satisfy the trustee/RSA provider that they are unable to meet reasonable and immediate family living expenses.

If both the above are satisfied, the trustee/RSA provider may, in any twelve month period, release one lump sum payment. The lump sum payment will be no more than a gross amount of \$10,000 and no less than \$1,000 (or the balance of the benefit if it is less than \$1,000).

#### **Australian Taxation Office (ATO)**

The ATO administers early release on these grounds without reference to APRA:

##### ***Permanent departure from Australia***

From July 2002, temporary residents permanently departing Australia are able to receive payment of superannuation accumulated during their residency.

##### ***Severe Financial Hardship and the Superannuation Holding Accounts Reserve (SHAR)***

The ATO administers a collection system, called the Superannuation Holding Accounts Reserve (SHAR). SHAR receives small superannuation amounts

## **Senate Standing Committee on Economics**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

from employers who, in making payments in respect of their employees under the superannuation guarantee arrangements, are unable to find a superannuation fund or Retirement Savings Account (RSA) that member protects. SHARs have been closed to new employer deposits since 30 June 2006.

Superannuation fund members make application to the ATO to process roll-overs into superannuation funds or pre-preservation age release in certain circumstances including:

- retirement due to permanent disability;
- receipt Commonwealth Income Support payments for a certain period, depending on age;
- small balance (under \$200); and
- the individual is at least 55 years of age, is not a resident for income tax purposes and is not employed ( or is employed but the duties are performed wholly or principally outside Australia)

#### **State / Territory Superannuation funds**

APRA does not have authority to approve the early release of benefits from an Exempt Public Sector Superannuation Scheme (EPSSS) regulated by the State or Territory Government under State (or Territory) law.

Fund members contact their superannuation fund directly to make enquiries about early release in these circumstances.

#### **Superannuation funds make decisions in relation to releases on the following grounds without reference to APRA:**

##### **Permanent incapacity – apply directly to fund**

Fund trustees and RSA providers administer the release of benefits on the grounds of permanent incapacity. The trustee or RSA provider must be satisfied that the applicant is permanently incapacitated before a release can be made.

##### **Terminally ill – apply directly to your fund**

Members of superannuation funds, and depositors in Retirement Savings Accounts, who are terminally ill, can apply to have their preserved superannuation benefits released tax free subject to meeting certain conditions.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

**Table 1 – Early Release Approvals by APRA.**

**Categories used in the Tables.**

The sub categories cover reasons for seeking release:

A- Medical Treatment expenses.

B- Medical Transport.

C- Modifications to a home or motor vehicle in order to accommodate a severe disability.

D- Funeral and palliative care expenses.

E- Mortgage assistance in order to prevent foreclosure on an applicant's principle place of residence.

F- Consistent with grounds A to E.

These categories reflect the way in which APRA collects the stats for the grounds for early release on specified compassionate grounds and broadly reflect the grounds referred to in the SIS Regulations.

The data is also categorised by different events in APRA's processing of applications. The categories are:

MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
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*MI Requested* - APRA sought more information from the applicant

*Approved in full or in part* – APRA can approve the whole of the application or part only

*Decline* – APRA declined the application

*Assessed* – because APRA can seek more information after an assessment, an application can be assessed more than once

*Can appeal* – the number of applications where APRA either declined the application and approved it in part only. In these circumstances the applicant can seek an internal review of APRA's decision.

*Approved amount* – the amount that APRA approved for release

# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

Supplementary Estimates 22-23 October 2008

2005/2006	MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
A	1389	2064	92	3545	2130	569	\$ 15,378,106.82
B	391	727	14	1132	520	133	\$ 5,937,655.87
C	91	269	35	395	237	74	\$ 3,027,143.45
D	557	1209	107	1873	1212	466	\$ 7,890,499.44
E	4925	6967	752	12644	7210	2868	\$ 66,738,717.64
F	1687	1293	607	3587	2610	775	\$ 18,784,002.17
Multiple	782	225	625	1632	1108	412	\$ 3,086,166.92
<b>Total</b>	<b>9822</b>	<b>12754</b>	<b>2232</b>	<b>24808</b>	<b>15027</b>	<b>5297</b>	<b>\$ 120,842,292.31</b>
2006/2007	MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
A	1597	2248	46	3891	2483	535	\$ 18,456,844.44
B	280	699	11	990	409	131	\$ 5,867,130.87
C	119	227	22	368	258	67	\$ 2,811,486.76
D	673	1357	131	2161	1375	585	\$ 9,123,958.12
E	5536	8651	621	14808	8603	3175	\$ 87,277,376.17
F	2860	1989	487	5336	3877	873	\$ 30,257,324.52
Multiple	860	241	412	1513	1240	461	\$ 3,111,217.25
<b>Total</b>	<b>11925</b>	<b>15412</b>	<b>1730</b>	<b>29067</b>	<b>18245</b>	<b>5827</b>	<b>\$ 156,905,338.13</b>
2007/2008	MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
A	2327	2790	82	5199	3405	731	\$ 25,112,630.22
B	257	626	14	897	349	110	\$ 5,904,091.78
C	213	215	21	449	283	72	\$ 3,373,050.25
D	894	1228	145	2267	1402	599	\$ 8,230,643.01
E	7591	7751	524	15866	8853	2658	\$ 90,054,697.43
F	3899	2094	695	6688	4611	1006	\$ 37,652,230.82
Multiple	1335	243	496	2074	1621	517	\$ 3,274,766.90
<b>Total</b>	<b>16516</b>	<b>14947</b>	<b>1977</b>	<b>33440</b>	<b>20524</b>	<b>5693</b>	<b>\$ 173,602,110.41</b>
2008/2009	MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
A	4702	2173	522	7397	4209	1385	\$ 20,920,045.80
B	326	291	31	648	223	135	\$ 2,738,067.95
C	249	175	40	464	280	97	\$ 2,400,449.36
D	1056	754	231	2041	1116	607	\$ 4,968,733.86
E	9951	6789	1384	18124	8622	3908	\$ 86,673,217.66
F	2972	1414	757	5143	2284	1115	\$ 24,350,512.39
Multiple	1189	180	430	1799	1184	494	\$ 2,688,407.34
<b>Total</b>	<b>20445</b>	<b>11776</b>	<b>3395</b>	<b>35616</b>	<b>17918</b>	<b>7741</b>	<b>\$ 144,739,434.36</b>
2009/2010	MI Requested	Approved in full or part	Declined	Assessed	Received	Can Appeal	Approved Amount
A	1252	591	196	2039	895	526	\$ 5,525,585.72
B	70	54	14	138	25	44	\$ 446,348.68
C	50	49	15	114	41	35	\$ 558,327.87
D	169	143	61	373	178	152	\$ 1,009,246.80
E	1555	1140	372	3067	1251	950	\$ 12,627,608.34
F	122	121	57	300	23	126	\$ 1,678,758.21
Multiple	140	19	54	213	97	66	\$ 265,367.03
<b>Total</b>	<b>3358</b>	<b>2117</b>	<b>769</b>	<b>6244</b>	<b>2510</b>	<b>1899</b>	<b>\$ 22,111,242.65</b>

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Chart 1 analyses the APRA statistics by month within financial years. The 2008-09 financial year is towards the middle of those shown.

**CHART 1 – Value of superannuation approved for early release by APRA by financial year.**

