

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 197

Topic: Super Funds

Hansard Page: 82

Senator Cormann asked:

Senator CORMANN: I am interested to read in the business section of the *Australian* a couple of days ago some comments about ASIC warns super funds in a hurry to merge'. You would be aware of that story. It is an issue I am interested in. I am just wondering whether you could advise the committee what ASIC's level of involvement is at present in the context of super fund mergers, given that there is a bit of a trend down that path.

Mr Medcraft: Basically, what we were doing was reminding super funds that, if they are doing mergers, they need to make sure that their members are properly notified; that, if investors are being rolled into a new fund, PDSs are appropriately modified; and that what comes out of the merger, if it does have impacts in terms of disclosure, is properly disclosed. It is reminding them of the rules of the game and what their obligations are.

Senator CORMANN: It is important for members to have appropriate levels of information, but those members will not ultimately have a say either in favour or against the merger, will they? As much as they can be informed, they will not get a say either in favour or against a particular merger—that decision is exclusively up to the trustees, isn't it?

Mr Medcraft: I believe so, yes. Mr Price, do you want to comment on that?

Mr Price: I believe that is the case, but I am not entirely sure.

Mr Medcraft: We will come back to you, but I believe that is the case.

Answer:

There are protections in place to ensure that members are not worse off in the event of a merger. While members may not generally vote on a fund merger, the *Superannuation Industry (Supervision) Regulations 1994* successor fund transfer requirements state that members transferred from their fund, without consent, must be offered equivalent rights in the new fund to which they are transferred. APRA administers these requirements and would be better placed to assist with further queries regarding successor fund transfer requirements. ASIC administers the mandatory disclosure requirements of Chapter 7 of the *Corporations Act 2001*, which requires trustees of superannuation funds to provide fund members with enough information to enable them to make informed decisions about the fund merger. With sufficient forewarning that the transfer is to happen, and adequate information, the member may be in a position to decide whether they want to be transferred or whether they would prefer to go to a different superannuation fund.

Recent fund mergers include consolidation in the BT Financial Group and in the AXA group, as well as the merger of FSS and Health Super.