



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

PRIVATE MEMBERS' BUSINESS

Superannuation

SPEECH

Monday, 18 March 2013

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Bird, Sharon, MP

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Ms BIRD (Cunningham—Parliamentary Secretary for Higher Education and Skills) (18:50): I take the opportunity this evening to express my support for the intent of the private member's motion which has been moved by my colleague the member for Throsby about self-managed superannuation. I want to start by acknowledging the point that was made by a member in point (1)(d) of his motion, which is that this House notes:

... the severe hardship caused to investors in Trio Capital, which collapsed as a result of fraudulent activity and which was the largest superannuation fraud in Australian history, with around \$176 million lost or missing.

A significant number of the victims of this fraud, as the member for Throsby indicated, live in my electorate. Some of them have personally come to see me or have written to me about the devastating financial and very often emotional toll that this has had on them and their families. Without exception these people had dedicated significant effort and resources over their working life to saving for a secure and quality retirement. Their concerns were only to provide for themselves in their retirement age, to not be a burden to their families or communities but to continue the independence that had been a feature of their working life and which they aspired to continue in their retirement.

The member for Throsby's motion seeks to address one aspect of this terrible circumstance: the lack of coverage for those individuals whose funds were in self-managed superannuation rather than the Australian Prudential Regulation Authority regulated superannuation funds. In supporting this motion, I first want to acknowledge that there are wider matters that have been raised by this fraud, but I believe the specific matter that this motion seeks to address is very important for the future, while acknowledging it does not provide a solution for those who have already been affected. However, I should acknowledge that many of the locals to whom I have spoken have been at pains to make it clear to me that they also are concerned to see reforms put in place to provide stronger protections for other people in the future.

The difficulty that this motion addresses is the fact that some of the victims of this fraud were eligible for a compensation scheme whilst others were not. The Superannuation Industry (Supervision) Act 1993, under section 23, creates a provision that comes into effect where fraudulent conduct or theft has caused a loss for a superannuation fund's member. However, section 1AA(2) specifically exclude self-managed superannuation funds. This section allows an application to the minister arguing that an eligible loss has occurred to activate, on determination by the minister, that the public interest requires a grant of assistance where compensation is paid and recovered through a levy on all APRA regulated superannuation funds and approved deposit funds. This mechanism was triggered in the Trio case, and in April 2011 the federal minister announced that approximately \$55 million in financial assistance would be made available to the eligible investors, and the cost would be recovered through the levy. There were, however, direct investors in self-managed superannuation funds who were not covered by this section of the act and the compensation mechanism. Regularly, some of my local constituents have indicated to me that they were not aware that the scheme they were involved in did not have this protection in the case of fraud or theft and that they would have been willing to carry an additional cost to provide such protection.

The remaining mechanisms under professional indemnity insurance are problematic for many of these investors. The issue of the provision of a compensation scheme for these investors has been canvassed on several occasions over the years since the Wallis inquiry in 1997 and up to the Richard St John review commissioned by the federal government which reported in May last year and the joint parliamentary committee report tabled on 16 May 2012. I acknowledge that all of these inquiries came to the conclusion that the introduction of a compensation scheme by a levy on SMSF investors, generally on the basis of the potential for moral hazard, which my colleague covered, would have the effect of 'decreasing responsibility for appropriate caution and prudence' to quote the words of the report. However, I feel it is appropriate, as this motion suggests, for the self-managed superannuation sector and policymakers to address this issue in order to find an appropriate and effective way for member-funded compensation schemes to be developed for circumstances of fraud or theft affecting members of self-

managed superannuation funds. I endorse the final point of the motion, which calls on the government to work for enhanced fraud detection and on regulators to enhance fraud detection and prevention in this evaluation system.