

Super Portal Solution

A solution for lost Superannuation

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Introduction

I'm a Chartered Accountant with over 20 years experience. I started my career in private practice but have been in commerce for approx 17 years now.

The basis for my submission has been the frustration I have felt over the years in chasing employees (mainly casuals/contractors) for their superannuation information in order to process super payments. Originally contrived to address these frustrations, it soon became evident that the major beneficiaries from this solution was the employee and the elimination of lost superannuation.

This submission looks at:

1. the problem faced by lost superannuation
2. the current system and its deficiencies
3. the Super Portal Solution - how it works
4. the Super Portal Solution - benefits

Lost Superannuation

- Millions of dollars worth of employee superannuation contributions are left dormant in funds across Australia.
- This issue will only deteriorate with more employees entering the workforce and the SGC rate increasing.
- Lost superannuation means less retirement savings for that employee.
- This leaves the burden for providing support for our every greying society on the government's shoulders.

The Current way we Pay Superannuation - SuperStream

- Since 1 July 2014, all employers with 20 or more employees must use SuperStream to remit super payments and corresponding information.
- All super funds, including SMSFs, must receive contributions in the 'Data Standard' format.

SuperStream Claims

- Streamlined super contribution process.
- A simpler, more consistent way of making contributions.
- Electronic data and payments in a common format for all funds.
- Lower overall processing costs.
- Contributions reach the fund quicker.

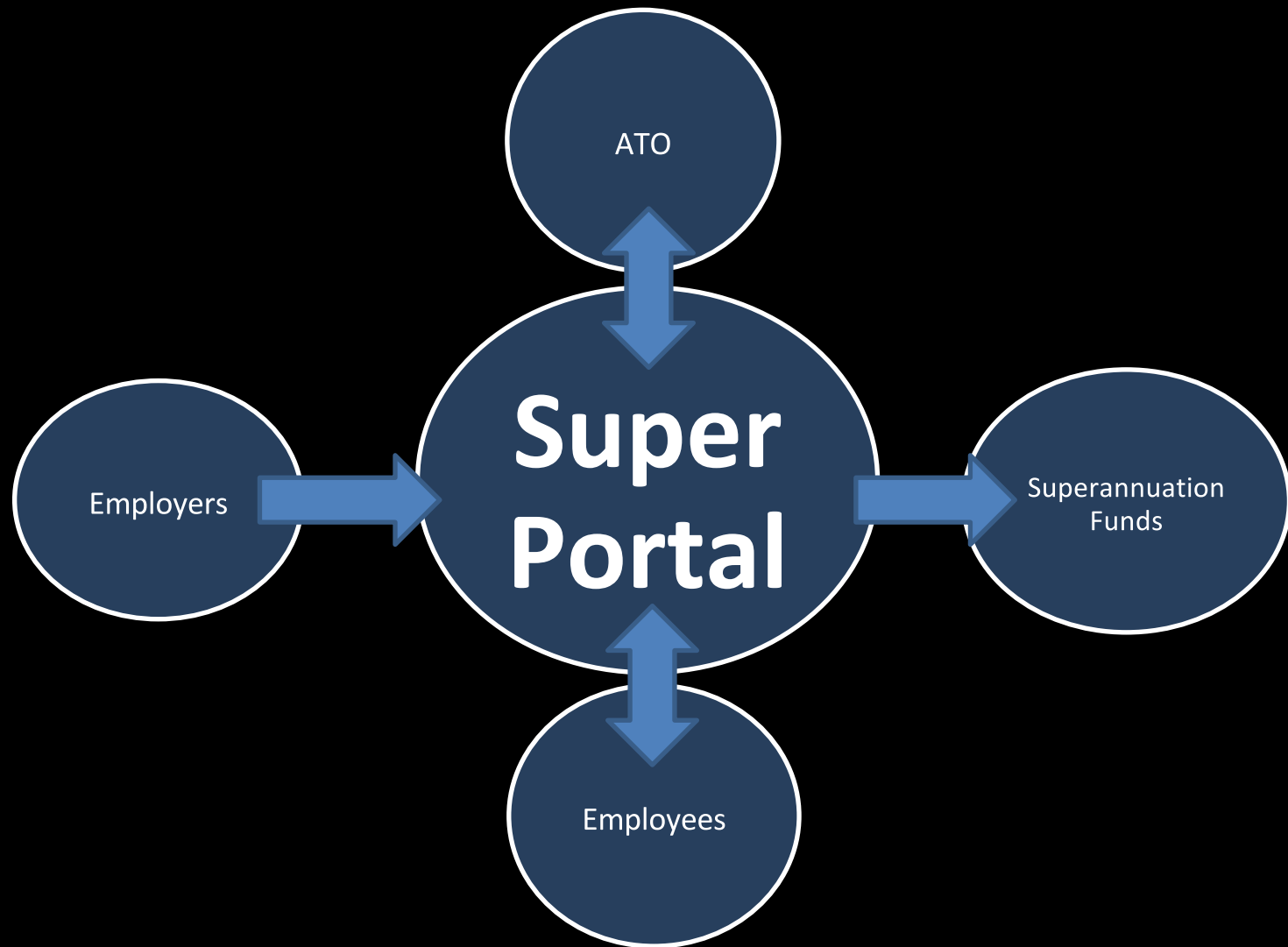
SuperStream Deficiencies

- Employers are still reliant on the employee for their super details, otherwise their contributions are placed into the employer's default super fund.
- This is a step in the right direction to reduce paperwork for employers and superannuation funds but it doesn't go far enough.
- It does not address the issue of employee lost superannuation.
- SuperStream only addresses the concerns of superannuation funds.

The Answer?



**The Super
Portal
Solution**



The Super Portal Solution

- The Super Portal is the mechanism which links employees, employers, Superannuation Funds and the Australian Taxation Office.
- Employers remit superannuation payments to the Super Portal using the SuperStream method.
- Payments are linked to the employee within the Super Portal using their TFN.
- The payment is then remitted to the Superannuation Fund.

The Super Portal Solution (cont'd)

- An audit trail is kept identifying:
 - The employer paying the superannuation;
 - The period relating to the superannuation payment;
 - The date paid;
 - The Superannuation Fund to which received the funds.
- This audit trail will ensure that employees will always have a record of their superannuation contributions.

How It All Works

Superannuation Funds

- Individual Superannuation Funds would register themselves in the Super Portal with all their essential information.
- An automated message is sent to the ATO, in order to authenticate the Superannuation Fund. At this point the ATO can confirm that the Superannuation Fund is a complying fund and is allowed to receive super contributions.



Employees

- Employees would set themselves up in the Super Portal with all their essential information. This would be an extension to the myGov website.
- The employees would select their Superannuation Fund and enter their Member Number.
- An automated message is then sent to their Superannuation Fund in order to authenticate their Member Number.
- The employee can at anytime log onto the system and change their default Superannuation Fund.

Employers

- Employers would register themselves in the Super Portal with all their essential information.
- Superannuation contribution details are loaded into the Super Portal as per the data standard along with the employees unique identifier ie their TFN.
- The employees TFN is the link between the employer remittance and the employee.

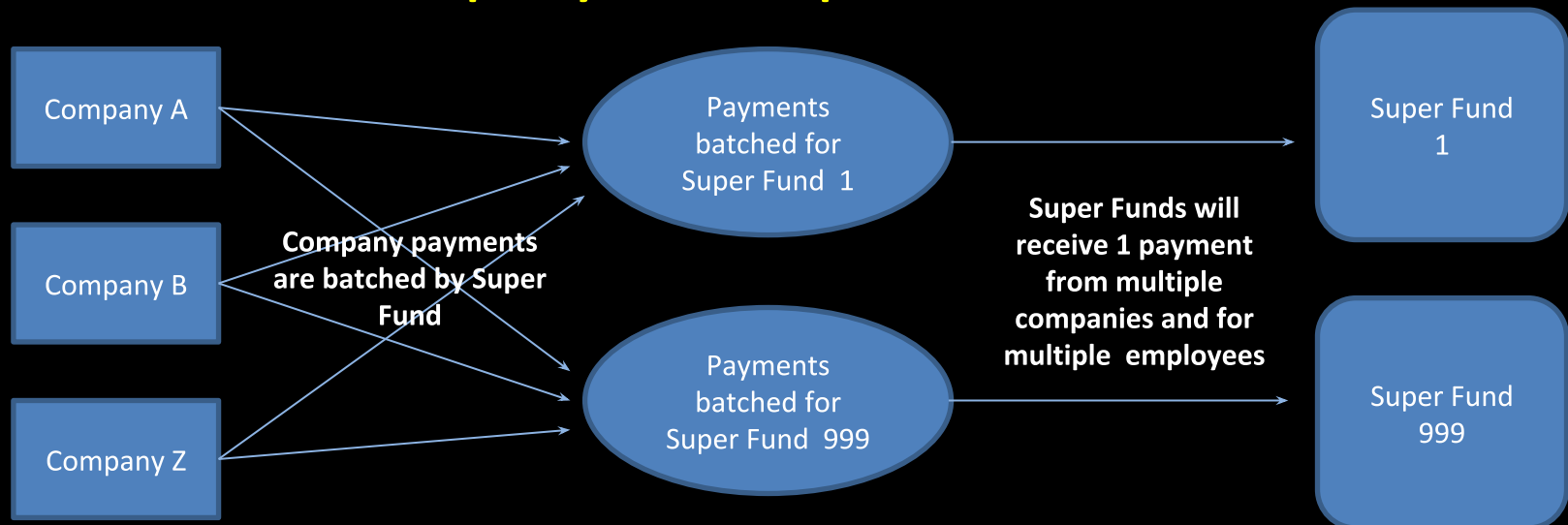
Employers (cont'd)

Employee Name	Unique Identifier	Date Of Birth	Contribution Period FROM:	Contribution Period TO:	Employer Contribution	Member Additional Contribution	Salary Sacrifice	Employer Additional Contribution	Total
Employee 1	111 111 111	22/9/1970	1/07/2013	30/09/2013	\$ 200.00		\$ 400.00		\$ 600.00
Employee 2	222 222 222	4/4/1990	1/07/2013	30/09/2013	\$ 250.00	\$ 50.00			\$ 300.00
Employee 3	333 333 333	3/3/1965	1/07/2013	30/09/2013	\$ 220.00			\$ 200.00	\$ 420.00
Employee 4	444 444 444	1/2/1985	1/07/2013	30/09/2013	\$ 270.00	\$ 30.00			\$ 300.00
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Employee999	999 999 999	21/7/1980	1/07/2013	30/09/2013	\$ 180.00		\$ 500.00		\$ 680.00
									\$ 50,750.00

- The employer then transfers one payment to the Super Portal covering all employees.

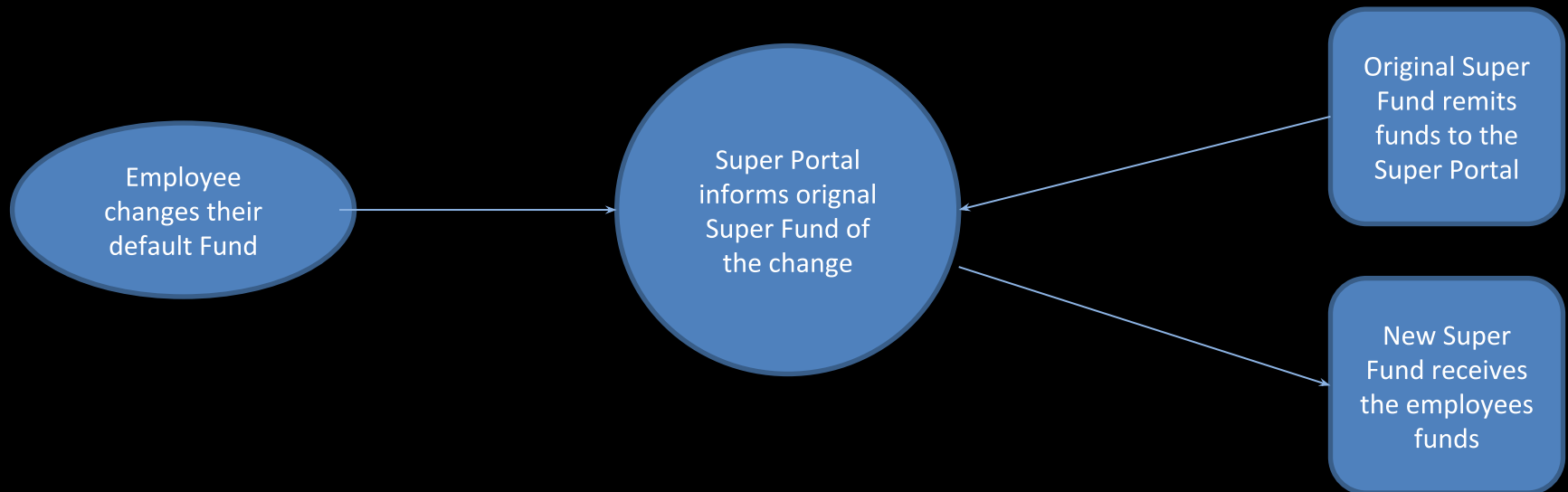
Employers (cont'd)

- Once these funds are cleared the Super Portal automatically batches payments from all employers and distributes the money to the individual employees superannuation fund.



Furthermore

- When employees select a new Superannuation Fund, payments would also flow through the Super Portal in order to create an audit trail



The Benefits

Benefits to Employees

- It would be impossible to lose any super.
- There is an audit trail of all payments made by the employer on the employee's behalf.
- If the employee wishes to change super funds there would be an audit trail of the transfer of their funds.
- Employees would be able to log into the Super Portal and change their Superannuation Fund and there's no need to inform their employer.

Benefits to Employees (cont'd)

- Less obstacles in moving to a new Superannuation Fund.
- An audit trail will clearly identify:
 - The employer paying the superannuation;
 - The period relating to the superannuation payment;
 - The date paid;
 - The Superannuation Fund that received the funds.
 - Movements between Superannuation Funds.

Benefits to Employers

- With Super Choice, in theory, employers could be dealing with as many Superannuation Funds as there are employees.
- The employer is not required to validate the employees super funds.
- The employer does not have to amend their payroll details every time the employee wishes to change super funds. The TFN is all they will ever need.

Benefits to Superannuation Funds

- Most benefits attributable to superannuation funds are equivalent to the SuperStream initiative but with Super Portal they would receive only one lump sum payment per day as opposed to multiple company payments.
- This would decrease the administrative task of reconciling payments.

Benefits to the ATO

- Lost Superannuation will be eliminated.
- The Super Portal will confirm that employers are first and foremost paying their superannuation obligations and secondly in a timely manner.
- If employers pay superannuation late, the Super Portal could automatically calculate the penalty interest charge and add it to the employer payment which in turn is added to the employees contributions immediately.

Benefits to the ATO (cont'd)

- The ATO can select a default Superannuation Fund for all employees who have not selected a default fund. This will ensure that all employees have only one Superannuation Fund.
- The ATO can track superannuation contributions made to Superannuation Funds and it can track employees from a Max. Superannuation Contribution perspective.

Summary

The new SuperStream initiative does not tackle the needs of the employee nor the government in eliminating lost super.

As our workforce and the SGC rate increases, the value of lost super will only increase, unless these issues are addressed. The Super Portal Solution is the answer to the problem.