

## SUMMARY

Veda welcomes the good results achieved in recent years to reunite members and their superannuation. Additional measures will result in further improvements, particularly if preventative measures are enabled.

Veda recommends:

- Authorising use of identity information held on credit reports. By amending the SIS Act to authorise access, use and disclosure of identity information on credit reporting it is possible to prevent members becoming lost or find an updated address.

This single measure alone could reduce the number of lost members by more than **30 per cent.**

- Authorise access to the Attorney General's Department Document Verification Service (DVS).

### RECOMMENDATIONS

1. The Government should support provisions under the SIS Act, authorising access use and disclosure of select credit reporting information:
  - i. For the purposes of identity and address verification upon enrolment into a superannuation scheme.
  - ii. For the purpose of locating a current address where the Trustee has deemed the member lost;
  - iii. For the purpose of confirming an address is still current where the account has been inactive for a period of years;
2. The Government should support provisions under the SIS Act allowing access to the Document Verification Service for the purposes of confirming identity at the point of enrolment.
3. Trustees should be required in annual reports to report on efforts to prevent and reduce the number of lost members.

## CONSULTATION QUESTIONS

**Should the existing suite of strategies to re unite people with their lost accounts and unclaimed monies be enhanced?**

*Veda recommends amendments to the SIS act to enable use of the Attorney-General's Department Document Verification Service (DVS), as well as authorised access, use and disclosure of key credit reporting information.*

**Are there other initiatives that could help reduce the number of lost and unnecessary accounts in the Australian superannuation system and reunite more of these accounts with their owners?**

*Authorised use of credit reporting information can help prevent, detect and re-unite superannuation accounts with members.*

**Is there a need for strategies, such as the new employee enrolment process described above that aim to prevent the proliferation of lost and unnecessary accounts into the future?**

*Veda recommends amendments to the SIS act to enable use of the Attorney-General's Department Document Verification Service (DVS) as well as authorised access, use and disclosure of key credit reporting information.*

*This will allow streamlining of employer enrolment processes, removing unnecessary production and copying of personal documents.*

**Are the existing strategies adequately integrated and do they work in harmony to achieve the Government's policy goal of ensuring that all Australians have an adequate and secure retirement income?**

*Rather than prescribing single solutions, Veda recommends a range of options be available, allowing Trustees to pick which suits the profile of members. Their success should be visible through inclusion of annual reporting of outcomes by Trustees. This will also allow the Government to benchmark Trustee efforts.*

**The current superannuation reform program is significant and impacts superannuation funds, employers and individuals. How can re uniting and account consolidation strategies be best phased into this broad reform agenda?**

*The amendments recommended by Veda will ease the burden on Trustees and employers, enabling electronic verification of identity and limited use of select credit reporting information to locate a new address.*

## **BACKGROUND**

Veda's use of credit reporting information under the current legislation has enabled us to work very effectively with industry superannuation.

Our success rate has been high – a new client can expect to see 30% of lost accounts provided with an updated address and over the past ten years more than 3.4 million superannuation accounts have been updated.

Our customers are predominantly industry superannuation funds and include:

- AMP
- AUSFund
- Australian Superannuation;
- Australian Government Employees Superannuation Trust;
- CARE;
- CBUS;
- First State Super;
- HESTA
- Hostplus;
- Q Super
- REST

However, the new Privacy Act (starting 12 March 2014) significantly increases regulatory burden on credit reporting bodies. An amendment to the SIS Act would ensure current use for lost members superannuation can continue.

Without this, there will be a significant increase in the numbers of lost superannuation accounts.

## **WHAT IS NEEDED**

Credit reporting information is undergoing an extensive reform process, not only expanding information on credit reports but also tightening the rules governing control of the data.

New legislation starts 12 March 2014.

The policy objective to reduce the number of lost members can be assisted by authorising, under the SIS Act access, use and disclosure of credit reporting information for the purpose of finding a lost member's current address or verifying an inactive member's address.

Amendments allowing use of certain credit reporting information to meet Anti Money Laundering and Counter Terrorism Financial Legislation are already in place. Such an amendment is also an appropriate response to preventing lost superannuation.

## **CREDIT REPORTS – AN INCREASINGLY ACCURATE SOURCE FOR ADDRESS**

Veda has credit reporting information on 16.5 million credit active Australians.

Typically, these records have been updated once or twice a year. From March 2014, new legislation will see much greater exchange of information, likely 10-12 times per year. The resulting uplift in current address will be very significant.

The insight offered also complements areas that the ATO information does not:

- People who have failed to lodge returns
- People who are not required to lodge a return:
- People who use a tax agent for their address.

## **TWO-ADDRESS TRIGGER**

Having two items of returned mail as a lost member trigger carries with it significant weakness.

Reliance on householders to return misaddressed mail – twice – has been studied in a New Zealand research piece<sup>1</sup>. The study (Healey and Gendall) shows that households of younger people, renters and city dwellers are least likely to return mail – in the instance of a household with an average age 18-29, **only 30 per cent returned mail**.

The volume of lost members is therefore very much higher than currently thought.

One option is for Trustees to proactively confirm address against the address held on a credit report. This could be introduced where the account has been inactive for a period of time (eg five years), despite not having had returned mail.

## **ENABLE VERIFICATION OF IDENTITY AT POINT OF ENTRY**

Electronic verification of identity is quick and less privacy intrusive than the production/copying of personal documents. This is being made easier with the opening up of the Document Verification Service (DVS) to the non-Government sector.

Run by the Attorney-General's Department, the DVS enables identity to be matched to details held by Australian Passports Office; Medicare card; visa status and state driver's licence bureaus – this last source being key for address purposes.

Veda accepts compulsory verification of all new enrolments is not likely to be supported. However, amendments to the SIS act would at least enable employers to have the option for DVS access, as well as use of credit reporting information.

Using identity verification at the point of entry will ensure greater rigour of data accuracy and markedly reduce the percentage of people who become lost members.

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<sup>1</sup> The Return of Misaddressed Survey Invitations B. Healey and P Gendall Massey University

Veda's experience as Australia's largest credit reporting body shows that data entry errors are a leading source of errors. Even critical identifiers - names and date of birth – incur significant rates of error. Typically, we observe:

- 18 per cent of surnames are mistyped;
- 11 per cent of first names are mistyped; and
- Around 4 per cent of date of birth strings have transposed digits

These figures demonstrate the need for much greater rigour when first establishing a member's account, verifying the details recorded.

Verification of identity is particularly challenging in Australia. International experience has shown that in the absence of an identity card or identity framework, identity elements from a wide range of data sources provides much greater certainty.

A paper-document identity verification process is privacy intrusive, labour intensive and time consuming for both business and employee. It is much preferable to have available the option to perform on-line checking of details, reducing red tape.

The use of identity verification through the DVS can be managed without disclosure of information, using "match" or "no match" to ensure no disclosure of information occurs.

For superannuation, identity verification is required under AML/CTF legislation at the point where a person withdraws funds (section 27 of the AML/CTF Act).

Additional authorisation would enable access to the DVS and credit reporting bureau at the point of enrolment, giving much stronger certainty that the details provided are correct.

### **BENCHMARKING TRUSTEE EFFORTS TO PREVENT AND LOCATE LOST MEMBERS**

Veda works with superannuation trustees to locate lost members. Our experience shows that interest in the task of finding lost members varies significantly between funds.

Rather than prescriptive regulation on what actions superannuation trustees must complete in the event of lost members, trustees should be obliged to publish in their Annual Reports:

- The numbers of lost members;
- The number of lost members expressed as a percentage of overall membership;
- The number of hitherto lost members who were found in the past 12 months; and
- The percentage this represents of overall lost member numbers.

In this way it will be possible to establish best-practice funds and with it establishing reasonable bench-marks funds should be achieving in clear up rates.