



Unclaimed Super Rip Off Media Release - 20 February 2006

Ever wondered what happens to all those superannuation accounts that get left behind and sometimes forgotten when people leave their jobs?

Many of those accounts languish in the fund for years being chewed up by fees. Sometimes super funds transfer these accounts to an Eligible Rollover Fund (ERF), a special type of fund supposedly designed to more efficiently protect these moneys.

Australian ERFs currently contain around 4.5 million accounts totalling \$5 billion of superannuation funds.

New research by two leading superannuation rating agencies – The Heron Partnership and SuperRatings – shows that most of these funds are not effectively serving the interests of their members. In many cases, they are stripping out fees to benefit the financial institutions who promote them, while delivering pathetically low or zero investment returns.

According to the research, only one of the 14 registered Australian ERF surveyed provided strong investment returns combined with low fees and a genuine service aimed at reuniting people with their unclaimed super money.

That fund is AUSfund (Australia's Unclaimed Super Fund), which is owned and operated by a group of industry super funds on a not-for-profit basis.

According to The Heron Partnership's executive director Wendy Barton, "Never before in our product assessments have we seen such a wide variance between the highest-rated product and the rest of the market."

Jeff Bresnahan, CEO of SuperRatings, said, "SuperRatings inaugural review of the ERF sector of the superannuation industry resulted in our overall view that this sector requires immediate review and regulatory boundaries imposed by the Australian Prudential Regulatory Authority."

In many cases, the superannuation funds which are transferring unclaimed accounts to poorly performing, high fee ERFs are related parties. That is, the fund provider is directly benefiting from the transfer at the expense of the members.

Garry Weaven, Executive Chair of IFS, who commissioned the research and who also chairs AUSfund, said, "It is difficult to see how superannuation fund trustees who are legally accountable to act in the interests of fund members can justify transferring accounts to such high fee and chronically under-performing funds when AUSfund is such a clearly superior alternative".

Some of the biggest names in the financial services sector are associated with this shameful state of affairs.