

13 January 2020

The Manager
Retirement Income Policy Division
Treasury
Langton Cres
Parkes ACT 2600

By email: superannuation@treasury.gov.au

Dear Sir/Madam

Re: Consumer Advocacy Body for Superannuation – expression of interest

AustralianSuper is pleased to provide an expression of interest in relation to the establishment of a Consumer Advocacy Body for Superannuation (hereinafter referred to as the “Consumer body”).

AustralianSuper is one of Australia’s largest superannuation funds and is run only to benefit its members. The best interests of our over 2.1 million members drive our decisions. We do not pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. With over \$180 billion in members’ assets, our sole purpose is to assist our members achieve their best possible retirement outcomes.

We are aware that the establishment of this Consumer Body arises from one of the key recommendations of the Productivity Commission’s report, “Superannuation: Assessing Efficiency and Competitiveness”, which found that the interests of members of superannuation funds were not paramount in superannuation discourse. Accordingly, this Consumer Body needs to be completely independent of the financial services sector to ensure the voice of consumers is paramount.

AustralianSuper’s detailed response to each of the relevant consultation items is contained in Attachment 1 to this letter, however, our key points in response to this proposal are shown below:

Key points

- AustralianSuper strongly supports the establishment of an independent organization that represents the interests of consumers as superannuation fund members (and potential members) across the whole superannuation sector, including self-managed superannuation funds and small APRA funds.
- Of paramount importance is that the Consumer body is, and is seen to be, entirely independent and only interested in the best interests of members as consumers.
- The primary responsibilities of the Consumer body should be to undertake consumer advocacy, enable consumer access to key decision-making information, and ensure research is undertaken on emerging issues of relevance to consumers, rather than the financial services industry.

- A truly independent Consumer body should have no representation on its board or committees from the financial services industry. This would include any director, or employee of a superannuation fund, or related entities of superannuation funds, or holders (or authorized representatives of AFSL and RSE licences).
- Such a body should likewise be prohibited from accepting any sponsorship or funding from any superannuation fund, deposit-taking institution, AFSL or RSE holder, or related entities of those entities.
- The Consumer body should be free to commission independent research to further its objectives, from universities and like independent institutions.
- The consumer body itself needs to be accountable, preferably to the same body as financial services regulators, and to Parliament by way of regular Committee hearings.
- The Consumer Body should not lobby on behalf of consumers without having some representation or direct input from actual consumers.
- There should be an initial review period to determine the effectiveness of the Consumer body against its stated objectives.

If you have any questions or would like further information please do not hesitate to contact me on [REDACTED].

Yours sincerely



Louise du Pre-Alba
Strategic Policy Advocate

Attachment 1

Functions and outcomes

AustralianSuper considers that the core functions of the Consumer body would be to contribute to policymaking in superannuation with the following objectives in mind:

- Consumer advocacy
- Consumer assistance
- Commissioning of research relevant to emerging consumer issues

Consumer advocacy to ensure specific consumer outcomes be paramount in legislative development.

The Consumer body can be entrusted with a specific mandate to advocate on behalf of consumers of superannuation as a financial product with the following focuses in particular:

- Specific regard be made to analysing the potential outcomes of legislative reform on vulnerable consumers
- Ensure consumer protections are retained in legacy products
- Ensure continuing analysis of consumer detriment in grandfathering changes
- Flexibility of superannuation and retirement offerings including the ability to change products during retirement phase.
- Focus on impact of reforms on women, carers, and those with broken work patterns generally.
- Consumer experience of the interaction between superannuation and Centrelink and other government agencies and financial measures relevant to retirement.
- Consumer engagement with ongoing retirement funding during retirement (and through possible periods of cognitive decline).
- The economic security in retirement of workers in the gig economy, self-employed, low income workers and the unbanked.

Consumer assistance: Financial literacy, accessibility and compulsory products

The Consumer body may be entrusted with a specific responsibility to monitor and provide policy advice to Government on consumer comprehension of financial products and financial decision-making.

Superannuation is a compulsory investment in Australia, yet often consumers can only obtain optimal benefits of superannuation if they are highly engaged, financially literate, and/or able to afford advice. This anomaly sits at a counterpoint to the level of compulsion in the superannuation system.

The Consumer body should strive to ensure that effective and protective superannuation decision-making processes are accessible and affordable to all consumers (not just those who can afford to pay for financial product advice) by providing the following:

- Improving accessibility to unbiased decision-making information through leveraging Moneysmart and other consumer financial comprehension offerings
- Having a website and database that houses comparative information about superannuation (eg product dashboards for all superannuation products) so that products can be compared in one place, rather than on each superannuation fund's website
- Responsible incorporation of learnings from APRA heatmaps and other regulator analyses into consumer messages and comparison tools
- Researching and measuring consumer comprehension and providing Government with policy advice accordingly.
- Provide a referral service for financial counsellors so that members in financial difficulty can consider financial help including, but beyond trying to access their super.

Commissioning the right consumer research

Superannuation changes feature every year in legislative reform. Consumer bodies currently have limited capacity to research and develop positions on behalf of consumers outside of those major reforms. The consumer body should be free to commission independent research to further its objectives, from universities and like independent institutions, ahead of major reforms. The Consumer body should also have a research brief that factors in the following:

- Focus on vulnerable consumers (indigenous, migrants, women), and specifically low account balance/low income users of superannuation products
- Consideration of the financial impact of being outside the superannuation system or only intermittently part of the system (“unbanked” consumers and the gig economy)
- Measuring consumption during the different phases of retirement including the management of ‘lumpy’ expenses
- Provide a consumer focus on emerging superannuation issues

Ongoing costs and establishment of a Consumer Body

Indicative ongoing costs of delivering these functions depends on which suggested functions are adopted by the Government. In order to maintain independence from the financial services sector it is suggested that it run as a semi-government agency, which seeks to recruit super expertise so that it does not rely upon technical expertise and pro bono support from the financial services sector.

Governance and accountability of a Consumer body

It is recommended that the government may consider a semi-government body be established as a Consumer Advocacy body with the following features:

- complete independence from the financial services sector.
- Specific objectives of the organisation to be enshrined in the Constitution.
- Minimum set of mandatory skills required of board, including superannuation knowledge, investment knowledge and a level of consumer advocacy knowledge and/or experience.
- Further skills required to be determined by the appointed board as they see fit.
- The Assistant Minister will appoint the board and determine the Chair as statutory appointments.
- The board will appoint the CEO
- There should be an initial review period to determine the effectiveness of the Consumer body against its stated objectives. This period should be two years, to be undertaken by either the Productivity Commission or Australian National Audit Office.
- The consumer body itself needs to be accountable, preferably to the same body as financial services regulators, and to Parliament by way of regular Committee hearings (eg PJC).

Independence of the Consumer body

Of paramount importance is that the consumer organization is, and is seen to be, entirely independent and only interested in the best interests of members as consumers.

- A truly independent consumer body can have no representation on its board or committees from any director, or employee of a superannuation fund, or related entities of superannuation funds, or holders (or authorized representatives of AFSL and RSE licences).
- Such a body should likewise be prohibited from accepting any sponsorship or funding from any superannuation fund, deposit-taking institution, AFSL or RSE holder, or related entities of those entities.
- A truly independent consumer body should also be free from the influence of industry associations who receive financial support from the financial services sector, and private 'consumer' bodies that also receive sponsorship support from the financial services sector – accordingly, it is essential that such entities should have no representational roles on the board or committees of the consumer body.
- The Consumer body should in no way be recommending or supporting any specific financial products to consumers – this is rightly the role of those qualified and authorized to recommend financial products and who hold an Australian Financial Services Licence for this purpose.
- The Consumer Body should not lobby on behalf of consumers without having some representation or direct input from actual consumers. They should include consumers from all relevant demographics and cohorts within the industry, including aged pension dependent retirees, self-funded retirees, new workforce starters, SMSF members, high and low account balance holders, etc. Such representatives would form a Consumer council who would advise and provide feedback to the Consumer body. All such consumer representatives would need to be free from the same conflicts as described above.
- The Consumer body should not handle complaints as the Australian Financial Complaints Authority deals with complaints.
- The Consumer body should not be empowered to make legally binding rulings applying to superannuation funds/trustees as this is the prerogative of the regulators (APRA, ATO, Austrac and ASIC) under their respective powers.