

SAVE OUR SUPER SUBMISSION: CONSUMER ADVOCACY BODY FOR SUPERANNUATION

13 January 2020

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

Save Our Super submission: Consumer Advocacy Body for Superannuation

Dear Sir/Madam

Save Our Super has recently prepared an extensive Submission to the Retirement Income Review dealing in part with the many 'consumer' issues triggered by the structure of retirement income policy and the frequent and complex legislative change to that policy.

That Submission was lodged with the Review's Treasury Secretariat on 10 January 2020 and a copy is attached to the e-mail forwarding this letter. It serves as an example of the analysis of super and retirement policy and of the advocacy that superannuation fund members, both savers and retirees, can contribute. Its four authors' backgrounds show the wide range of experience that can be useful in the consumer advocacy role.

We note both the policy and the advocacy consultations are running simultaneously, exemplifying the pressures Government legislative activity places on meaningful consumer input. Consumer representation is necessarily more reliant on volunteer and part-time contributions than the work of industry and union lobbyists and the juggernaut of government legislative and administrative initiatives.

Given the breadth, complexity and fundamentally important nature of the issues raised for the Retirement Income Review by its Consultation Paper, we have prioritised our submission to that Review over the issues raised by the idea of a Consumer Advocacy Body. This letter serves as a brief submission and as a 'place holder' for Save Our Super's interest in the consumer advocacy issues.

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The idea of a consumer advocacy body is worthwhile in trying to improve member information, engagement and voice in superannuation and in the formation of better, more stable and more trustworthy retirement income policy. It should help government to understand the perspectives of superannuation members.

Save Our Super was formed from our frustration at the evolution of superannuation and broader retirement income policies. We contributed as best we could to the rushed and heavily constrained Government consultations on, and Parliamentary Committee inquiries into, the complex retirement income policy changes that took effect in 2017. One example of our inputs is <http://saveoursuper.org.au/save-supers-joint-submission-senate-committee-two-superannuation-bills/> .

For the consultations on the Consumer Advocacy Body for Superannuation, we limit our comments here to point 1 on the Consultation's brief web page, <https://treasury.gov.au/consultation/c2019-38640> :

"Functions and outcomes: What core functions and outcomes do you consider could be delivered by the advocacy body? What additional functions and outcomes could also be considered? What functions would the advocacy body provide that are not currently available?"

Key roles

- Consult with superannuation fund members on their concerns, including issues of legal and regulatory complexity, frequent legislative change and legislative risk which has become destructive of trust in superannuation and its rule-making.
- Commission or perform research arising from consultations and reporting of member concerns.
- Tap perspectives of all superannuation users, whether young, mid-career, or near-retirement savers, as well as of part- or fully self-funded retirees.
- Publish reporting of savers' concerns to Government, at least twice-yearly and in advance of annual budget cycles.
- Contribute an impact statement - as envisaged in the lapsed Superannuation (Objectives) Bill - of the effects of changes to any legislation (not just super

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legislation) on retirement income (interpreted broadly to include the assets, net income and general well-being of retirees, now and in the future).

The advocacy body should:

- take a long-term view, and could be made the authority to administer, review or critique the essential modelling referred to in Save Our Super's submission to the Retirement Income Review. Ideally, the Consumer Advocacy Body should have the freedom to commission Treasury to conduct such modelling, and/or to use any other capable body.
- give appropriate representation and support to SMSFs, and be prepared to advocate for them against the interests of large APRA-regulated funds when necessary.
- advocate specifically for the very large number of people with quite small superannuation accounts, when their interests are different from those of people with relatively large balances.

The biggest risk to the advocacy body in our view is that it would over time be hijacked by special interest groups, or hobbled by its terms of reference. Careful thought in its establishment, key staffing choices and strong political support would be helpful to protect against these risks.

Membership issues

- Membership of the Body should be part-time, funded essentially per diem and with cost reimbursement only for participation in the information gathering and consumer advocacy processes. A small part-time secretariat could be provided from resources in, say, PM&C or Treasury.
- Membership opportunities should be advertised.
- Membership of the Body should be strictly limited to individuals or entities that exist purely to advocate for the interests of superannuation fund members. (This would include any cooperative representation of Self-Managed Superannuation Funds.) We would counsel against allowing membership to industry entities which might purport to advocate on behalf of their superannuation fund members, but might also inject perspectives that favour their own commercial interests.

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- Membership should include individuals with membership in (on the one hand) commercial or industry super funds and (on the other hand) Self-Managed Superannuation Funds. We see no need to ensure equal representation of commercial and industry funds, though we would be wary if representation was only of those in industry funds or only commercial funds.
- We offer no view at this stage on whether the Superannuation Consumers Centre would be a useful anchor for a new role, but we would suggest avoiding duplication.

Functions not currently available

The consultation asks what functions the Consumer Advocacy Body for Superannuation could perform that are not presently being performed. SOS's submission to the Retirement Income Review and earlier submissions on the changes to retirement income policy that took effect in 2017 shows the range of superannuation members' advocacy concerns that are not at present being met.

Prior attempts to establish consultation arrangements for superannuation members appear to us to have focussed mostly on the disengagement and limited financial literacy of some superannuation fund members. Correctives to those concerns have heretofore looked to financial literacy education and better access to higher quality financial advice. Clearly such measures have their place.

But in the view of Save Our Super, these problems arise in larger part from the complexity and rapid change of superannuation and Age Pension laws, and in the nature of the Superannuation Guarantee Charge. Nothing predicts disengagement by customers and underperformance and overcharging by suppliers more assuredly than government compulsion to consume a product that would not otherwise be bought because it is too complex to understand, too often changed and widely distrusted.

There needs to be more consumer policy advocacy aimed at getting the policies right, simple, clear and stable, as was attempted in the 2006 – 2007 Simplified Super reforms.

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Other issues

In the time available, we offer no views on questions 2,3 and 4, which are more for government administrators.

Yours faithfully

Jack Hammond, QC

Founder, Save Our Super
<http://saveoursuper.org.au>