CSSA

CORPORATE SUPER SPECIALIST ALLIANCE

Better regulation and governance, enhanced transparency and improved competition in superannuation

The Corporate Superannuation Specialist Alliance (CSSA) is pleased to have the opportunity to submit our feedback on the Governments discussion paper on 'better regulation and governance, enhanced transparency and improved competition in superannuation'.

While all of the questions raised in the paper will have some impact on our membership we will only be answering the questions that directly relate to our membership's businesses, as we are not involved in funds management or in the administration of superannuation platforms.

Focus question 2.
What is the most appropriate definition of independence for directors in the context of superannuation boards?

We believe that the definition of independence that was proposed by the Cooper Review: 'that the Director is independent based on being at arm's length from the fund, a person who generally has no historic connection with the fund or the appointer is an appropriate definition.

Focus question 3.
What is an appropriate proportion of independent directors for superannuation boards?

We believe there should be a majority of independent directors for superannuation boards.

Focus question 4.
Both the ASX Principles for listed companies and APRA's requirements for banking and insurance entities either suggest or require an independent chair. Should superannuation trustee boards have independent chairs?

We believe that superannuation trustee boards should have independent chairs.

Focus question 5.
Given the way that directors are currently appointed varies across funds, does it matter how independent directors are appointed?

Provided the directors are suitably qualified and have the necessary experience to be appointed to the board, and that they meet the definition of 'independent', then it would seem unnecessary to have a complex process in place for making appointments to boards.

Focus question 7.
Are there any other measures that would strengthen the conflict of interest regime?

We believe that directors of trustees should not be allowed to hold multiple and competing superannuation board positions. It is nearly impossible to manage such conflict. The best solution is to avoid it.

Focus question 27.
Does the existing model (which commences on 1 January 2014) meet the objectives for a fully transparent and contestable default superannuation fund system for awards, with a minimum of red tape?

The CSSA is of the opinion that the employer is best positioned to select the Default Super fund for their employees, not the Fair Work Commission. We are opposed to the proposal to restrict Default funds to between 2 and 15 funds per award and in fact we believe that the nexus between awards and superannuation should be broken. An employer may employ people across a number of awards and if those awards all have different default superannuation funds this creates more unnecessary work for the employer.

Focus question 28.
If not, is the model presented by the Productivity Commission the most appropriate one for governing the selection and ongoing assessment of default superannuation funds in modern awards or should MySuper authorisation alone be sufficient?

MySuper authorisation alone should be sufficient.

Focus question 29.
If the Productivity Commission's model is appropriate, which organisation is best placed to assess superannuation funds using a 'quality filter'? For example, should this be done by an expert panel in the Fair Work Commission or is there another more suitable process?

We believe that the Productivity Commission's model is not appropriate. It creates too much unnecessary complexity and red tape.

Employers will often engage a Corporate Superannuation Specialist Adviser to assist them to select a default superannuation fund (and potentially to provide assistance with its installation). The following process would be typical of the selection process followed by a Corporate Superannuation Specialist Adviser:

Evaluation:

- *When evaluating superannuation funds to recommend to an employer for their employees, the aim of the selection process is to try to ensure that employees are invested in a quality fund that is equitable for all members. An adviser would consider the rating of the funds from specialist research houses, and would also look at the following criteria as guidance in the selection process:*

Investments:

- *Investment process and fund manager selection*
- *Range of investment choice*
- *Transparency of investment process and pricing (for example daily unit pricing as opposed to declared rates of return)*
- *Appropriateness of the investments offered, matching the company's employee demographics*

Fees:

- *Reasonableness of overall fee structure, representing value for money*
- *Transparency of investment management fees, buy/sell fees*
- *Ability to negotiate fee discounts*

Insurance:

- *Appropriateness of insurance provided for the employee demographic. Ability to establish categories of insurance to suit differing employee needs.*
- *Insurance cost/premiums offered or negotiated*
- *Automatic Acceptance Levels offered or negotiated*
- *Terms and conditions of underlying insurance policies*
- *Claim paying record and ability to meet potential claims*
- *Ability to provide features such as non-lapsing binding death benefit nominations*

Administration:

- *Reputation of the fund's administration team*
- *Ease of employer interaction – such as online contribution processing and clearing house facility*
- *Member reporting – such as frequency, clarity, online access to reports and other information*
- *Online Transactions – such as investment switching, change of address, change of beneficiaries*
- *Policy Committee support*

Ancillary Benefits:

Some funds offer benefits such as discounted financial and lifestyle products, discounted health insurance, etc. While this is a secondary consideration many members do appreciate these benefits.

Focus question 30.
Would a model where modern awards allow employers to choose to make contributions to any fund offering a MySuper product, but an advisory list of high quality funds is also published to assist them in their choice, improve competition in the default superannuation market while still helping employers to make a choice? In this model, the advisory list of high quality funds could be chosen by the same organisation referred to in focus question 29.

The CSSA believes that market forces and competition will allow 'the cream to rise to the surface' with MySuper funds, and that providers who do not offer a quality product will struggle to survive. This is evidenced already as there has been some consolidation of superannuation providers and a smaller than expected take-up of MySuper licenses. Superannuation fund providers need scale to be able to survive and compete in the low margin world of MySuper.

About the CSSA

The CSSA represents corporate superannuation specialist advisory businesses. CSSA members provide financial advisory services to thousands of corporate superannuation funds across metropolitan and regional Australia and play an essential role in managing Australia's large and growing superannuation savings pool. CSSA members work with Australian companies and their workers to provide them with improved life insurance and superannuation outcomes via their corporate superannuation plans; they provide a broad range of services to corporate super plans at four levels – the employer level; the policy committee (representative body) level; the individual super fund member level and to super fund members collectively. These services help employers and policy committees ensure members are getting competitive benefits and features, at a competitive price, and that members have access to general advice and information to help them improve their decisions about their retirement savings and life insurance choices.

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