

29 April 2013

Principal Advisor
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Subject: Discussion Paper – Financial Sector Supervisory Levy Methodology

Towers Watson Australia Pty Ltd (“Towers Watson”) is pleased to make this submission on the discussion paper on the methodology underlying the financial sector supervisory levy (the “discussion paper”), specifically as it relates to the superannuation industry.

Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management. The company offers solutions in the areas of benefits, talent management, rewards and risk and capital management. Towers Watson has 14,000 associates around the world.

Towers Watson is a member of the Corporate Super Association (“CSA”), and we draw your attention to the CSA submission on this topic dated 19 April 2013 and to the earlier submissions identified in that submission. We also refer to our previous submission dated 15 June 2012 (copy attached) to the Manager, Banking Prudential Policy Unit, in which we raised our concerns about the inequity of the proposed method of recouping the SuperStream costs via the supervisory levy. It is therefore with disappointment that we note the comments in section 6.2 of the discussion paper that “to date, there has been minimal industry concern regarding this issue and a case has not been presented to change the basis of the levy calculation”.

We strongly support the CSA’s concerns on the capping of the restricted element of the supervisory levy, which continues to provide a considerable subsidy to the members of large superannuation funds at the expense of members of small-medium sized funds. In this context, we note that according to APRA’s 2012 *Superannuation Fund-level Profiles and Financial Performance* publication (issued 9 January 2013) approximately 25 funds had assets in excess of \$8 billion. These funds contain the majority of superannuation accounts and their members continue to receive a subsidy compared with the members of smaller funds. We would also note that APRA’s supervision of the superannuation industry increasingly has regard to the size, business mix and complexity of the trustee’s business operations. This would appear to support a higher fee applying to the biggest funds rather than a fee which is subsidised by the smaller funds.

We therefore strongly support the following recommendations made by the CSA in the interests of genuine member equity:

- 1 The supervisory levy for superannuation funds, excluding the temporary SuperStream component, should be structured as a single unrestricted element applied as a percentage of funds under management that is sufficient to recover the sector’s supervisory costs.

- 2 As set out in our 2012 submission referred to above, the temporary SuperStream levy should be charged on a flat dollar amount per member basis.

We would be pleased to discuss this submission with Treasury.

Yours sincerely



Andrew Boal
Managing Director



Brad Jeffrey
Director – Superannuation and Actuarial Consulting