

August 2020

Pre-Budget 2020-21 Submission to the Treasury on the 2020- 2021 Budget

ABOUT US

Super Consumers Australia (Super Consumers), formerly known as the Superannuation Consumers' Centre, is an independent, not-for-profit consumer organisation formed in 2013. Super Consumers was first funded in 2018. We work to advance and protect the interests of low and middle income people in the Australian superannuation system.

During its start up phase Super Consumers has partnered with CHOICE to deliver support services. CHOICE is the leading consumer advocate in Australia, established 60 years ago, it is an independent voice, ensuring consumers get a fair go.

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The Superannuation Consumers' Centre is a not-for-profit company limited by guarantee. ABN 34 163 636 566 ACN 163 636 566

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Introduction

Superannuation belongs to consumers. It is their money. But, the interests of lobby groups have traditionally been much louder than that of consumers in debates about superannuation. An adequately funded Superannuation Consumers Advocate is needed to support governments to hear the authentic voice of consumers in critical debates.

The Productivity Commission first recommended the Australian Government should provide adequate and ongoing funding support to an independent members' advocacy and assistance body in its 2018 report on the efficiency and competitiveness of the superannuation sector.

We have been pleased to see the Government progress this recommendation through its review and introduction of enabling legislation to create a funding mechanism for consumer advocacy via the industry levy.

The final step is to fund an organisation to take on the important role of rebalancing superannuation policy debates and providing a voice for consumers.

The Government has acknowledged that the complex and compulsory nature of superannuation necessitates an independent consumer body with specialist knowledge. Super Consumers Australia was launched a year ago with seed funding to start delivering on that purpose. We are an independent, consumer organisation first funded in 2018 via a Community Benefit Payment.

Since our September 2019 launch in partnership with CHOICE, we have:

- provided balanced, practical advice to help people make informed decisions about superannuation
- applied public pressure to superannuation funds and insurers where they have failed to meet community expectations (this work has taken on new importance in the COVID-19 crisis)
- made a series of constructive, evidence-based policy submissions to government and regulators from a consumer perspective, and
- supported legislation to improve the efficiency of the superannuation system and outcomes for members.

It is important that this work can continue and that the skills and experience being developed in this organisation is not lost. Super Consumers Australia will be unfunded from 2021. Without a funding solution it will need to make decisions about its future by the end of 2020.

Recommendation

Recommendation 1: That the Federal Government provide funding certainty for a Superannuation Consumer Advocate as part of the 2020-2021 Budget.

Funding certainty for a Superannuation Consumer Advocate is urgently needed

Since the Federal Government launched its EOI process, superannuation has been considerably elevated as an issue of national importance by the COVID19 pandemic and other developments such as the Retirement Income Review. Public and political debate about issues including the role of superannuation, reforming the default system and retirement income adequacy have intensified, and the government has signalled that it intends to consolidate its previous reforms to make superannuation a more efficient and effective system.

In this context superannuation is a dynamic, contested policy space that is dominated by vested and often polarised interests from many powerful parties. Now more than ever, an effective voice is needed to ensure the perspective and interests of consumers are adequately represented and accounted for.

Super Consumers Australia is ‘proof of concept’

In our first year of operation, Super Consumers has demonstrated our value as an independent organisation uniquely positioned to advocate for consumers of super. Drawing on our unique mix of expertise and skills across policy, research, data analysis and investigative journalism, we have published 11 reports and advice on topics of consumer interest, including:

- the [fundamentals of super](#),
- explaining changes to super and insurance as part of the [protecting your super](#) and putting members’ interests first legislation,
- fund underperformance and the [number of people being defaulted into under performing funds](#)
- the [prevalence and impact of restrictive terms](#) on Total and Permanent Disability(TPD) insurance in super,
- [ethical investment](#),
- [managing the impact of COVID19 on super](#),
- [Independent modelling and issues to consider](#) when deciding whether to access super early,
- [avoiding scams](#) targeting early access to super,
- explaining [how income protection works](#) and the impact of the pandemic

We also made a large contribution to policy debates, contributing to industry, government and regulator forums to share the consumer perspective. This included making [10 detailed policy submissions](#) to government and regulators on topics including:

- the Retirement Income Review,
- the Consumer Data Right,
- universal terms in insurance,
- extending unfair contract terms to insurance,
- the APRA Capability Review,
- enforceability of financial services industry codes, and
- draft legislation to enact recommendations by the Financial Services Royal Commission.

Delivering tangible improvements in consumer outcomes

Our research and advocacy has led to tangible improvements in people's outcomes in the superannuation system. Below is the breakdown of the significant consumer wins and the work in progress from our first year of operation.

Major wins for consumers

2019



Worked with parliament to see Protecting Your Super legislation enacted. Placing a cap on certain fees, introducing auto-consolidation and switching off insurance on inactive accounts.



Worked with parliament to see Putting Members' Interests First legislation enacted. Making default insurance more appropriate to people's needs.

2020



Produced research to highlight the harm caused by pandemic exclusions in group life insurance and successfully pressured superannuation funds and insurers to drop these exclusions.



Produced research to highlight the harm caused by activities of daily living tests to people who are unemployed or working part time. This has led to a moratorium on the use of these terms and a public commitment from six funds to remove or reduce their impact.

Progress to better outcomes for consumers

2019



Advocated for reform of the default system by releasing independent research naming underperforming MySuper products and the number of people who had been defaulted into them in the last financial year.



Supported APRA's first heatmap of superannuation funds. Advocated for the Productivity Commission recommended 'right to remain' test for funds that chronically underperform in the heatmaps.

2020



Provided independent advice to help people weighing up what to do with their superannuation in light of the market impacts of the global pandemic. We partnered with important voices including Scott Pape and the Council on the Ageing.



Provided robust independent modelling on the impact of early release of super to that consumers could make informed decisions about whether to access funds.

Ongoing costs

Funding principles

To help achieve its purpose, there are three important principles on which a superannuation consumer advocate's funding should be based.

1. **Independence** - A consumer advocate needs to be independent in order to give consumer-first policy advice and information. Funding that is subject to industry support will be severely limited in its ability to act in the long-term interests of consumers. Similarly, while the organisation should be accountable to the government, it should be independent, so it can give frank and fearless advice without the threat of being defunded.
2. **Sustainability** - A consumer advocate needs a sustainable funding source so it can plan for the long term needs of consumers. This eye to the long view is particularly important in a superannuation context, where the impacts of policy changes span decades and may only materialise upon retirement.
3. **Adequacy** - A consumer advocate needs adequate funding to engage in detailed robust work at least on par with industry advocates. Figures uncovered in a Senate inquiry show

the main industry lobby groups alone (not including what the funds spend directly) have a combined annual budget of more than \$42 million to fund their advocacy work, employing approximately 108 staff.¹

What would be the indicative ongoing costs of delivering these functions?

We have developed three different funding options. The budgets presented below are indicative of what would be required to fund each level of service. The costing assumptions are developed from the budgets of existing consumer organisations and superannuation industry lobby groups.

All of these models assume that after an initial establishment period (approximately six months), Super Consumers would operate independently of CHOICE, with its own premises and staff.

Once an in principle decision on the service level is made, we would seek to undertake more detailed cost modelling.

The four major industry lobby groups have a combined funding level of \$42 million. We maintain that 'Option C' has the best prospects of balancing policy debates, assisting consumers and promoting interactive fintech tools. This option will be the most effective in driving better outcomes for consumers.

Option A - Minimum viable advocacy and assistance (no education function)

This model is the minimum viable version of a superannuation consumer advocate. Its expertise would be in generalist policy, research and data analytics (advocacy), with a very limited assistance function and small support team (e.g. admin., HR, finance, IT, communications).

Indicative headcount - 23 full time equivalents (including a CEO, 12 advocacy, 4 assistance and 6 support team members)

\$6.4m annual budget
(Deductible gift recipient status required)

Option B - Full service advocacy and assistance (no education function)

¹ Senate Economics Legislation Committee, 10th October 2017, https://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Economics/SuperannuationNo1/Public_Hearings This does not include the Australian Banking Association or smaller lobby groups.

This model builds on 'option A' with expanded advocacy and assistance functions.

The advocacy team would be able to expand and build expertise around the impacts of superannuation on specific cohorts of people. For example, it would be capable of developing a deep understanding and developing policy solutions for people in rural and regional communities, pre and post retirees, Indigenous people, women, people with a disability and younger people.

This option would allow the assistance team to move beyond generalist expertise to tailor activities and information to specific communities. It would allow outreach in the communities identified above, for example superannuation consolidation days.

Indicative headcount - 31 full time equivalents (including a CEO, 14 advocacy, 6 assistance and 10 support team members)

\$8m annual budget
(Deductible gift recipient status required)

Option C - Full service advocacy, assistance and education

This model builds upon 'option B' but includes an innovation lab.

The innovation lab would be capable of developing and piloting interactive online tools addressing common superannuation needs - identifying insurance needs, finding appropriate investment options and understanding retirement needs.

This team would be tasked with developing creative solutions to policy problems. It will aim to fill the gap between legislative reform, strong defaults and self-efficacy.

Indicative headcount - 40 full time equivalents (including a CEO, 14 advocacy, 6 assistance, 9 education and 10 support team members)

\$10m annual budget
(Deductible gift recipient status required)

Deductible gift recipient status

The Federal Government committed to granting the Superannuation Consumers' Centre deductible gift recipient status in the 2019 Federal Budget. Granting this status would enhance the organisation's ability to diversify its funding sources, fund additional services and improve the overall independence and long-term sustainability of the organisation.