

Senate Economics References Committee

An inquiry into Improving consumer experiences, choice, and outcomes in Australia's retirement system.

Additional written questions on notice from Senator Bragg to Super Members Council, 13-20 December 2024.

Due date for response: 17 January 2025.

The Super Members Council received the following additional written questions from the committee - following its appearance before the Committee on 14 November 2024 - in three separate tranches. Questions 1 - 5 were received on 13 December 2025. Questions 6 - 36 were received on 18 December 2024. Questions 37-38 were received on 20 December 2024.

About SMC

The Super Members Council brings an evidence-based approach to advocate for the system-level policy interests of over 11 million everyday Australians with their retirement savings in profit to member super funds. Our purpose is to protect and advance the interests of super fund members throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective and equitable.

As part of its advocacy work, SMC conducts education initiatives. Consistent with ASIC's insights and recommendations that the super sector should engage Australians about their super, SMC proactively engages in new ways to better connect with young Australians. Research shows Australians with a better understanding of super make better financial decisions regarding super.

QUESTIONS

1. How much was Mr Saul Eslake paid for his report 'Super for Housing' - will it help solve or exacerbate the housing affordability crisis?
2. What instructions was Mr Eslake provided to conduct his report?
3. Did Mr Eslake's report model first home buyers accessing super in conjunction with an increased supply of 500,000 homes?
4. Did Mr Eslake's report model first home buyers accessing super in conjunction with any increased housing supply?
5. Did Mr Eslake's report model the impact on housing affordability for first home buyers with no increased housing supply?
6. How many members does SMC have?
7. How much are your membership fees currently?
8. What is the total budget of your organisation?

9. How much has SMC spent on advertising from 2019-2024?
10. Who is responsible for the "Compare the Pair" adverts?
11. Does SMC have any involvement with the production of these adverts?
12. Does SMC view the draft adverts or creative content before the adverts go to air?
13. In an op-ed for the AFR last week, SMC Chair Ann Sherry wrote in defence of the Equal Representation model citing the Cbus Deloitte report in saying that "the independent Deloitte report dispels assertions that the model is a barrier to funds getting the skills and expertise they need to govern these large financial institutions." However, that same report noted that Cbus' approach to skills matrix testing was lacking. Specifically, because it relied on self-attestation, with broad guidance that allowed individual directors and nominees to make determinations based on their individual interpretations. The skills matrix also placed heavy emphasis on time served on the Board over practical experience. Why did Ms Sherry write a national op-ed that misrepresents the findings of the Deloitte report into Cbus's governance?
14. This misrepresentation of the Deloitte report's findings is consistent with Cbus Chair, Wayne Swan's public comments. Was she asked by Mr Swan, or Cbus, to write the op-ed?
15. Was the op-ed discussed with Mr Swan or Cbus prior to its publication? If so, what were these discussions?
16. Does Ms Sherry think that the equal representation model, which requires people from specific fields and industries, allows boards to get the right mix of experienced directors to govern these very large organisations?
17. If so, how has the Cbus Board failed its members so egregiously since Mr Swan became Chair? Please explain with regards to the delays to over 10,000 death and disability claims.
18. In the same op-ed, Ms Sherry wrote that "the key to continuing to deliver for members.... is continually ensuring boards have the right mix of skills and experience". Does the SMC have any standards or guidance for its members in relation to trustee governance, including how best to utilise a skills matrix? If so, did Cbus utilise this guidance?
19. Does SMC support the appointment of independent directors, and what does "independent" mean to SMC?
20. Several SMC members have engaged in significant shareholder activism, noting poor governance on the Boards of the companies they are seeking to make changes within. For example, Debbie Blakey, CEO of HESTA, noted during the vote to remove the Chairman of Woodside, that "*we think*

governance and board capability is so critical". Cbus and HESTA also voted against the re-election of an AMP Board member, citing what both of those funds considered to be "poor governance" around the sale of AMP's life business. Do you agree with your member organisations that poor governance outcomes, including not having the right skills and experience, are a reason for not re-appointing directors, and do you think there should be consequences for superannuation fund boards that have poor governance outcomes, as was demonstrated in the Deloitte report?

21. Would you say that, in practice, your superannuation fund members have good governance, and what can you tell us about their application of tools like skills matrices to ensure that they have appropriate people on boards?
22. In an opinion piece posted to the SMC Website, Ms Schubert notes that equal representation industry funds "have largely avoided the sorts of consumer harms the Banking Royal Commission uncovered at financial services companies with for-profit governance models". Does the SMC stand by these comments given recent high-profile failures in customer service from Cbus and Australian Super? If these failures are separate from consumer harms identified in the Banking Royal Commission, how so?
23. In her op-ed, Ms Sherry noted that "over the past 20 years, profit-to-member super funds outperformed retail funds by 1.6 per cent on average annually. That performance edge means \$190,000 more at retirement for the average Australian." But isn't it true that of the 13 superannuation funds which failed the performance test in the first year, 8 of them were industry super funds?
24. Could you please outline SMC's position on using trust reserves to pay fines incurred by funds?
25. The SMC has often spoken about how profit-for-member funds are promoting the best interests of members, including saying that "what matters most is a director's commitment to protect and promote the interests of fund members". Do you accept the interests of trustees/union officials being placed above members' interests, in taking an approach where members must pay for fines and penalties on behalf of directors who do the wrong thing?
26. The Deloitte report failed to validate Cbus's expense payments to CFMEU officials owing to a lack of evidence kept by the fund that these expenses met the BFID. How does this accord with the SMC's view that its members are always acting in the best interests of their members?
27. Does the SMC provide any guidance or standards to its members in relation to expenses, particularly in relation to ensuring documentation practices and decisions in line with BFID? If yes, do you know if Cbus applied this guidance or standards?

28. In evidence given to the Senate Economic References Committee last week, TAL Insurance noted that the insurance arrangements through superannuation were very useful, particularly to those labourers and tradies who wouldn't be able to get their insurance elsewhere, but through Cbus, owing to their dangerous jobs. But Cbus has over 10,000 members who have not received their payments, so is it really that useful to those people and their families when it comes time to claim on that insurance?
29. A lot of group insurance arrangements are applied on an opt-out basis. How do funds like Cbus, who maintain these arrangements are suitable for their specific customers, ensure that people are receiving the right level of coverage for themselves? Is it really in the members' best interests, if they are paying for insurance that they don't know anything about?
30. Many of your member organisations have a disclaimer on their websites regarding insurance premiums, specifically noting that insurers may make payments to the fund if the quantum of insurance claims is low. Do you think this creates an incentive for superannuation funds to deny claims, or provide insurance that members don't know they have, to receive these payments?
31. In February 2024, SMC called for a roundtable of funds in relation to customer service, particularly in relation to the payment of Death Benefits. When you held that Roundtable, were you aware that one of your funds was withholding death benefit payments to over 10,000 members?
32. Did that Roundtable discuss the number of members that were still waiting to have their death benefit claims assessed, and did SMC set any expectations for its members at that time that they should improve their processes?
33. What were the qualitative and quantifiable outcomes of that roundtable?
34. Cbus has said that its outsourced arrangements with Link Group was a significant factor in the non-payment of death benefit claims, something which Link Group has denied in the media, if not in its recent Senate Committee hearing. Do you know how many of your superannuation fund members outsource their administrative and customer service functions?
35. Do you know which of your funds utilise Link Group for their administration arrangements and are you aware if those members have the same issues with insurance payments as has been demonstrated at Cbus?
36. Do you think outsourcing an important function like customer service has created an environment where superannuation funds don't take the importance of their customers seriously?
37. Does SMC use influencers? If so, who, and what were these influencers paid?

38. Does SMC use agencies that represent influencers? If so, who, and what were these agencies paid?

RESPONSES

1. This question was answered in the hearing on 14 November 2024.
2. In summary, to produce a short report (<30 pages) with a simple structure and written in plain English that presents his analysis and findings in a way that is accessible and digestible for a general audience. The report would identify previous financial-support-based assistance programs for first home buyers in Australia including a full history of policies that have been implemented and provide an economic analysis of these policies and their effect on rates of home ownership and housing affordability. Ideally to answer, in particular, the question: does the historical evidence show these policies have helped improve home ownership and address housing affordability issues, or not? And to give an assessment of the evidence on whether future policies of a similar nature are likely to have a beneficial effect on housing affordability in Australia.
3. Mr Eslake's report sets out his analysis. It is publicly available here: [\[https://smcaustralia.com/report-saul-eslake-super-for-housing-will-exacerbate-the-affordability-crisis/\]](https://smcaustralia.com/report-saul-eslake-super-for-housing-will-exacerbate-the-affordability-crisis/)
4. See Q3.
5. See Q3.
6. A full list of SMC member funds is on the SMC website.
7. Membership fees vary by fund.
8. This question was answered in the hearing on 14 November 2024.
9. SMC only commenced operations on 1 October 2023. In August 2024, SMC announced a public awareness initiative to help strengthen Australians' understanding of how super works. Details of this education initiative are on the SMC website.
10. Industry Super Australia.
11. No.
12. No.

13. The premise of the question is incorrect - the oped directly quotes from the Deloitte report.
14. No - as with Q13, the premise of the question is incorrect.
15. Publishing opinion pieces is an activity that all major industry and policy advocacy bodies undertake regularly. The opinion piece sets out the views of the SMC Chair.
16. The Chair's views on this topic are set out in detail in the opinion piece - available on the SMC website.
17. Questions on any individual fund operations should be directed to the relevant fund.
18. *Prudential Standard SPS 510 Governance* (SPS 510) sets out APRA's requirements in the governance of a registrable superannuation entity (RSE) licensee's business operations, including board composition. The provision of additional industry standards or guidance on top of this broader strong regulatory framework is not currently part of SMC's activity mix.
19. Independent directors are defined in section 10 (1) of the SIS Act which underpins APRA's prudential framework in relation to independent trustees. Many profit-to-member superannuation funds with an equal representation model also appoint independent directors and chairs, as set out in APRA's Prudential Practice Guide SPG 510 Governance (SPG 510). Each super fund determines the best director mix to advance the interests of that fund's members.
20. APRA's *Prudential Standard SPS 520 Fit and Proper* (SPS 520) sets out the requirements for individuals holding positions of responsibility in APRA-regulated funds. *Prudential Standard SPS 510 Governance* sets out APRA's requirements in the governance of a registrable superannuation entity licensee's business operations. APRA rightly enforces these requirements and holds fund boards to account in meeting prudential standards.
21. SMC's views on good governance are outlined in the Chair's opinion piece, accessible on the SMC website. A variety of governance arrangements are used by superannuation funds, and each fund is required to ensure it has the appropriate governance arrangements including the requisite mix of skills to advance its members' interests.

22. The commission's detailed work speaks for itself. It remains the case that \$4.7 billion in remediations have been made following the commission.
23. As the Chair correctly identifies, profit to member funds have on average outperformed other sectors. A difference of \$190,000 at retirement is a significant amount of money that enables Australians to retire with a higher income to support them in retirement. The ten best performing funds over the last decade are all profit-to-member funds with equal representative governance.
24. Trustees are rightly required to maintain and manage operational risk reserves under prudential standards. Operational risk reserves are heavily and closely regulated by APRA under the *Prudential Standard SPS 114 Operational Risk Financial Requirement*. Trustees are required to comply with obligations under both the prudential standards and the *Superannuation Industry (Supervision) Act 1993* (SIS Act).
25. See Q24.
26. All superannuation funds have an obligation to act in the best financial interests of their members. Questions on any individual fund should be directed to that fund.
27. See Q18.
28. Questions in relation to Cbus insurance claims or TAL should be directed to Cbus or TAL.
29. Under the SIS Act, all funds are generally required to provide death benefits and permanent incapacity benefits to MySuper beneficiaries* on an opt out basis. Specific questions on Cbus's insurance product offering should be directed to Cbus.
- *in accordance with the Putting Members Interests First (PMIF) reforms, from 1 April 2020, default opt out insurance is no longer applied to inactive accounts, low balance accounts and members under the age of 25 years.
30. Questions about the specific detail of any individual fund's insurance offering should be directed to that fund.
31. SMC is a policy and advocacy organisation which focuses on improving policy settings at a system level to advance the interests of 11 million everyday Australians. The roundtable discussed broad themes of some of the actions being taken to further uplift service standards and identified potential policy reforms that could help to speed the processing of death benefit payments.

Further details can be found in SMC's February 2024 media release on the SMC website.

32. As above, details on the roundtable are in SMC's February 2024 media release on the SMC website.
33. The media release following the roundtable outlined some of the practical measures SMC has advocated to speed up death benefit payments processes, including:
- Creating a simple and digital binding death nomination form - which would eliminate the need for submitting hardcopy forms with dual signatures from two witnesses
 - Ensuring all ID documents issued by States and Territories are included in the Government's digital verification service and that the detail on death certificates is enough to process claims
 - Legally recognising Indigenous kinship arrangements and culturally adopted children as death beneficiaries
 - Strengthening integration between the Australian Tax Office, Services Australia and super funds. This could enable a super fund member's eligibility for financial hardship payments to be confirmed quickly (by the ATO) and enable details to be shared (with the consent of super fund members) of their eligibility for the Age Pension or other government payments so super funds can help their members plan even more effectively for retirement (Services Australia)
34. Questions about the administrative and customer service arrangements of individual super funds should be directed to the individual fund.
35. See Q34.
36. No.
37. ASIC has highlighted the importance of industry participants being proactively engaged in new ways to connect with young Australians about super. Younger Australians are typically more likely than previous generations to access information via social media rather than traditional media.

As with many similar organisations across a wide array of sectors, SMC conducts education initiatives as part of its advocacy work. This includes using content creators to reach audiences via social media. SMC social media content is viewable on the SMC social media accounts:

- LinkedIn
- Facebook
- Instagram

- YouTube

SMC's educational work is grounded in research that shows Australians with a better understanding of super make better financial decisions about their super. Any specific supplier payments are understandably commercial in confidence given disclosure could negatively impact future service negotiations.

38. A variety of methods are used to procure creative content services. Regarding payments, see response to Q37.