Senate Economics References Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Improving Consumer Experiences, Choice, and Outcomes in Australia's Retirement System

Division/Agency: Australian Prudential Regulation Authority
Question No: 1
Topic: Cbus Event
Reference: Written
Senator: Andrew Bragg

Question:

In a response to a question from Senator Bragg, Cbus Super provided the following written response regarding the cost of a 40th anniversary event:

> *On 1 July 2024, Cbus convened an event that incorporated an all staff strategy forum, and a reception to mark the achievements of the Fund for members over the last 40 years. It was the first all staff in person event Cbus had held since 2019. The event involved over 750 attendees, including employees, stakeholders, and industry representatives. The objective of the event was to secure alignment across employees and key stakeholders on strategies to ensure Cbus remains one of Australia's largest, fastest growing, and best performing super funds for members. The cost of the event was approximately $387,000 and was met using pre allocated budget for professional development of staff. The cost comprises of delivery of strategic planning content, venue hire, food and drink, audio visual and production delivery costs.'* (CBUS Super - 001: Answers to questions on notice from Wayne Swan asked by Senator Andrew Bragg at a public hearing on 29 November 2024 (received 13 December 2024).

- What is the normal expectation on expenditure for an anniversary event?
- How does this satisfy the best financial interest duty?
- Could you provide a ruling on the 40th birthday event that was recently held by Cbus?
  - Have you asked Cbus to justify the $387,000 cost of their 40th birthday party?
- Are you aware of any other super funds having had birthday parties/events for their funds, and if so, do these meet BFID standards?

Answer:

The *Superannuation Industry (Supervision) Act 1993* positions the best financial interests of members at the centre of decision making by trustees. Trustees are required under *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* to ensure that expenditure decisions are consistent with the best financial interests of their members. APRA's guidance makes clear that we expect trustees to have appropriate expenditure management processes and frameworks in place to support rigorous assessment of expenditure. BFID is concerned with whether a trustee's decision is reasonably justifiable considering the circumstances that existed at the time of the decision. BFID does not specify acceptable types or circumstances where expenditure would be considered in members best interests, with the onus of this assessment being on the trustee. As a result, APRA can confirm there are no explicit rulings or rules which specify whether expenditure relating to anniversary events is or is not in members best financial interests.

APRA continues to probe concerning expenditure practices across the superannuation industry. As part of its supervisory activities, APRA makes inquiries into expenditure decisions to assess the robustness of the trustee's processes and ensure that the best financial interests of members is at the forefront of trustee decision-making. APRA currently has a program of work underway supervising specifically to expenditure[1] which is focused on the following:

- Discretionary expenditure categories such as travel, entertainment and conferences;
- Relative and absolute size outliers, including consideration of impact to members;
- Particular types of payees and payments where benefit to members is not immediately apparent.

Where we see material deficiencies in practices or breaches of the prudential or legislative framework we will take action. Inquiries made of trustees' expenditure decisions could lead to an investigation into the expenditure which could then lead to enforcement action.

In relation to Cbus specifically, it is a matter of public record[2] that APRA imposed additional licence conditions on United Super Pty Ltd, the trustee of Cbus, to address concerns regarding fund expenditure management. These licence conditions required the trustee for Cbus to engage an independent expert to conduct a review in relation to, among other things, the trustees' compliance with the duty to act in the best financial interests of beneficiaries of the fund in making expenditure decisions. The report was published on 3 December 2024. Cbus is now required to have an APRA approved action plan to address the findings and recommendations of the review.

[1] https://www.apra.gov.au/news-and-publications/apra-releases-letter-to-rse-licensees-on-intensified-supervision-approach.

[2] https://www.apra.gov.au/news-and-publications/apra-imposes-additional-licence-conditions-on-trustees-for-cbus-and-bussq.