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FINSIA CALLS FOR OVERHAUL OF SUPERANNUATION SECTOR

- **Superannuation objective should be enshrined in legislation to protect long term interests of beneficiaries.**
- **Baseline of good products, adequate consumer protections, removal of structural conflicts of interest and improvement of professional standards for board and management included in FINSIA's recommendations.**

2 AUGUST 2018, FINSIA has called for the fundamental purpose of superannuation to be legislated to protect the retirement interests of all working Australians. In its submission to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (RBC), FINSIA asserts that without political support for superannuation's primary objective 'to provide income in retirement to substitute or supplement the age pension' the sector remains exposed to regulatory interventions and business practices not in the interests of beneficiaries.

FINSIA managing director and CEO Chris Whitehead believes this oversight is fundamental issue holding the industry back from reform. "Australia's superannuation industry has reached maturity without a legislated purpose. It is in the interest of all working Australians that this Bill is passed and superannuation's objective is prioritised to protect Australians retirement savings," said Mr Whitehead.

"Guided by the overall objective of providing income in retirement for fund members, it is incumbent on the industry to ensure there is a baseline of quality products available with adequate consumer protections in place for those who are disengaged."

FINSIA's submission makes a number of recommendations addressing the shortcomings identified recently by the Productivity Commission. These include the need for the boards and management of super funds to raise their professional standards via professional training and adhering to an industry wide standard of conduct. FINSIA asserts that super funds can only be effectively governed by directors able to demonstrate levels of conduct and competency consistent with the important role their oversight plays in delivering income to fund members. This includes possessing the skills to manage complex conflicts of interest as they arise.

FINSIA also addresses the overall lack of transparency in the superannuation industry including the need for more rigorous reporting to consumers on issues such as: the performance and ranking of superannuation funds; the appropriateness of additional services; the fees related to such services and the ability give consumers the option to opt-in; the use of members funds for activities such as marketing and sponsorship and closer examination of the benefits of such activities for members.

"There are a number of issues impeding the industry at present that have already been the subject of review by ASIC, APRA and the Productivity Commission. The Royal Commissions inquiries are an opportunity to synthesise this work and make recommendation to address ongoing issues such as conflicts of interest, improve disclosure to consumers and raise the professional standards of superannuation fund boards and management," concluded Mr Whitehead.

FINSIA Submission Key Recommendations:

- That the primary objective for superannuation ‘to provide income in retirement to substitute or supplement the age pension’ be enshrined in legislation.
- That the directors of funds have sufficient skills and expertise to undertake their role. This includes have some level of professional training and being bound by standards of conduct. Funds also need to increase the diversity of their board members to better reflect the interests of members and current ‘self assessment’ processes should be made more robust and conducted via external review.
- Better management of potential conflicts of interest such as the issue of activist capture for fund boards and its impact on investment decisions and situations where asset consultant firms are also product producers for the same fund. Boards must demonstrate they have the ability, tools and expertise to address such conflicts where they arise.
- The use of member funds for activities such as marketing and sponsorship needs to be examined. Super funds may be required to keep the accounts of the management company and the trust separate with such marketing activities undertaken by the management company. Transparent reporting to members on the benefits of these activities should be required.
- Increased transparency of reporting to members on the performance and ranking of funds to enable consumers to make informed choices. Increased transparency of information on additional services to members, such as advice and insurance, including whether members are aware of these services, the charges associated and the ability to opt in if appropriate to a member’s circumstances.
- Greater clarity given to the role and responsibilities of the two key regulators in the superannuation sector, APRA and ASIC, including an examination of the rise of self-managed superannuation funds and role of their key regulator the ATO.

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FINSIA has a heritage of over 130 years of connecting members with industry-leading insights and influential networks, we help members to build their capabilities and advance their careers. While strengthening the professional standing of its members, FINSIA is working to deepen consumer trust by raising standards of professionalism across the industry to deliver better outcomes for the community.