

Submission to the Treasury on FOFA Amendments and Related MySuper Matters

- We'd like to congratulate the Government on their initiative to simplify the issues without reducing member protection it certainly needs to be kept simple for the benefit of most Australians to keep them engaged in Their Retirement Benefits.
- We STRONGLY support the government's aim of bringing financial advice to more Australian people. This will be helped by removing General Advice from Conflicted Remuneration and making it easier to provide scaled advice to the boarder community.
- As a business which is a specialist in the Corporate services and Education for members of Corporate Superannuation Plans we only wish to be paid fairly and transparently for the services that we deliver and not have to remove these services that are highly valued at the workplace

What we do?

- The emphasis of our business is to help employers and their employees with financial literacy and education at the workplace, through seminars, personal meetings, policy committee running, insurance admin and of course representing insurance claimants. One of the biggest issues many providers and companies are facing is the increased claims. The last thing we want is for employees to feel that they need to runoff to lawyers to represent them and pay part of their payout to them.
- The main emphasis of the services that what we provide is general advice and services; we do not provide personal advice for these fees. The Personal advice has and should be a user-pays system.
- Under the previous proposals we have seen a general lack of take up as members and employers get disenchanted with new proposals.

Intra- fund advice

- Firstly we would like the intra-fund fee to be transparent, i.e. separated from the admin fee
- Secondly we would like the intra-fund fee to be negotiable at workplace level in the same way that admin fees are negotiable. This allows an effective dial up arrangement based on the amount of work required at the workplace based on the services provided. This would be a per member fee (not an asset-based fee).
- Thirdly each fund we currently look after has differing needs and as such the amount of work for each fund is highly variable, and can depend on things such number of sites such as Sydney, Melbourne, Brisbane; an older or young employee base; the size of the fund; the need for policy committee meetings; annual reviews of Insurance requirements and whether the company is growing or a mature business.

Group Insurance

- We need firstly to explain how we provide insurance services. We provide personal advice to an employer on benefit levels and conditions. As companies change and grow reviews are constantly required and this is not paid for by the fund
- Ongoing services for insurance include, completing forms when members are over Automatic Assessment Limits, representing employees with underwriting to ensure that they obtain suitable and desired levels of cover. Australia has a very high level of under insurance. We help explain beneficiary nominations and most importantly we represent the member at claims time when it really matters.
- Group arrangements protect members from churning and this can only be a good thing
- The resulting formula level cover then applies to all members whether they are MySuper or Choice members. Everyone gets a benefit and members have the right to not be part of the plan. In our view it shouldn't matter whether the member is in MySuper or are choice members and that all members should share the cost equally.

Product Selection Service

- As a CSSA member we have always operated in the market segment. In our opinion only large companies can afford to engage actuarial firms. This seems certainly the case with the majority of our clients who have over the years, relied on our service in this area.
- Under the current arrangements we have to choose whether to provide Product Selection Services (PSS) or Ongoing Services. Most will choose the latter due to its ongoing income flow yet it takes a way a very valuable service for most of our employers
- There is the very real likelihood of that funds will now being opened up to include any MySuper compliant funds, which will mean that the small to medium market is likely to be inundated with tender requests. This will be brought about by employers looking to consolidate to one default fund for their members rather than multiple funds as required by modern awards.
- We have previously been able to assist in this market space and now it seems the market will not be able to find the services that it needs, when it needs them. To this end we believe that the government should look at accepting that when the fee that we receive is set, it removes the conflict, irrespective of the fund.
- If this isn't changed then we really do need another way under Regulation to ensure that there is still a PSS serviced market for all parties concerned.

Transition to MySuper

- We firmly believe that the transition needs to be member-focused.
- Any enforced transition may result in disadvantages to members without them being fully aware and worse not thinking they need any advice.
- Many funds have a changed their investment strategy. This could result in disadvantaged outcomes on transition
- Given Australia's massive under insurance position we feel that insurance cover levels will diminish in some cases and/or the premiums may increase, we have already experienced this.
- In some cases fees may increase
- If any of the above exists then the member should be allowed to opt-in rather than opt-out
- Any solution has to be manageable and not add to the massive compliance costs that small businesses such as our clients and us continue to face. Members must come first but the solutions has to be manageable and equitable to all parties.

We thank you once again for allowing us the opportunity to bring these issues to your attention. We think you are making great strides to make the system work effectively and efficiently for the benefit of all Australians.

Yours sincerely



Tony Wray

Head of Corporate Services