



**Options for a  
Superannuation Consumer Representative Organisation**

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## Executive summary

The superannuation system is complex, and is the subject of constant changes through Government reforms, technology and new product features. However, the interests of superannuation members (consumers) are not represented by a specialist consumer organisation or service.

Consumer representative organisations operate effectively in consumer credit, energy and communications, with a mix of community and government support.

There have been requests made to the Government to fund the establishment of a Superannuation Consumer Representative Organisation for over fifteen years. The Cooper Review considered this issue briefly but made no specific recommendation to establish a service of this type.

CHOICE submits that the complex issues raised in Cooper Review are an excellent example of the issues and reforms that would benefit from a dedicated, independent consumer voice in superannuation. This new organisation would be free from the industry conflicts of interest that may arise for other associations and interest groups that currently operate in the sector.

The proposed organisation could replicate the successful advocacy and assistance model that is used by other organisations such as the Consumer Action Law Centre, the Australian Communications Consumer Action Network and many other independent consumer organisations. Under this model the organisation could provide a direct advice and assistance service to consumers, and use the information and lessons from this service to inform policy advocacy.

## 1. Introduction

Superannuation is one of the major sources of national savings and the basis of the government's retirement incomes policy. All working Australians now contribute to a fund and have one or more superannuation accounts. It goes without saying that consumer and community confidence in superannuation is crucial to the success of the Federal Government's retirement incomes policy and the future of the industry.

Yet more than fifteen years after the introduction of the SGC, superannuation remains poorly understood, and many individuals have only a limited understanding of basic matters such as the name of their fund, the amount contributed by their employers or the amount of any fees and charges.

A range of problems can arise for consumers in respect of their superannuation. Simple problems which can affect large numbers of consumers may be best addressed through the provision of information and education campaigns.

More complex problems that also involve large numbers of consumers may be best addressed through policy process.

Other, more individual, problems can raise issues concerning the actions of:

- trustees,
- fund managers,
- employers;
- insurers; or
- financial advisers

Many of these problems cannot be solved easily and require legal advice and advocacy.

The problems can be particularly marked for low-income consumers and those with limited literacy and numeracy or English skills, where the imbalance in knowledge and resources between members and funds or insurers leaves consumers at a significant disadvantage and some sections of the industry are prepared to exploit this difference.

The Superannuation Complaints Tribunal has been established to conciliate and determine complaints by super fund members against trustees. Its scope is limited and it is not in a position to provide detailed advice or legal assistance to consumers, despite its existence having highlighted significant need.

## 2. Proposal

CHOICE proposes that a community-based Superannuation Consumer Representative Organisation (SCRO) be established.

The Superannuation Consumer Representative Organisation would have three main functions, including:

1. Provision of general consumer information, including organising education campaigns;
2. Policy and advocacy services; and
3. Provision of consumer assistance on an individual basis including legal assistance where necessary.

#### **Consumer information and education**

The Superannuation Consumer Representative Organisation would operate a national toll free information line to provide independent information and assistance to consumers to enable them to resolve common problems and make the best possible decisions on more substantive matters.

The Superannuation Consumer Representative Organisation would also organise consumer education campaigns to address particular gaps in knowledge across large sections of the community, including outreach to vulnerable groups.

#### **Policy, advocacy and research**

The Superannuation Consumer Representative Organisation would work with industry and government to achieve policy outcomes which meet consumer needs, including preparation of submissions, the provision of independent media commentary, and the publication of consumer research.

The organisation would be able to provide and coordinate policy and advocacy work on behalf of superannuation members. This would include making submissions to government inquiries and reform processes, liaising with industry and regulators, and some public campaign activities. Importantly, the policy and advocacy work would leverage information and insight from the advice and assistance work undertaken by the organisation, so that policy campaigns are grounded in the real issues and challenges facing members.

The organisation would conduct (or commission) independent research on important issues facing superannuation members. This research would be free of the conflicts inherent in industry funded research, and would contribute to a better understanding of the superannuation sector.

The Superannuation Consumer Representative Organisation would organise appropriate representation of consumer interests on committees, roundtables and other policy forums.

#### **Legal advice and assistance**

The Superannuation Consumer Representative Organisation would be able to provide a range of independent advice and assistance to superannuation members, with a focus on members requiring assistance with a dispute. Advice would be delivered by a variety of channels, including face-to-face, telephone and electronic communication. Legal and financial advice would be provided subject to relevant professional and regulatory requirements (e.g. licensing). Advice would include appropriate referrals to other organisations where assistance was available. This might include direct participation in important public interest cases including test cases.

This is a proven model and community-based advice centres with a strong track record exist in many sectors, including:

- consumer credit;
- welfare;
- energy and water;
- tenancy; and
- immigration advice.

### 3. Structure

The organisation would be established as an independent non-profit / non-government organisation, with a clear charter and a small management board. The membership of the board would be based on expertise and the ability to represent member interests, but the organisation would not itself be a peak body.

Most modern consumer organisations are now established as not-for profit companies, and the sector has experience in using this model.

The organisation would follow best practice governance principles, including the publication of transparent annual reports, audited accounts and a detailed conflict of interest policy.

The organisation would have three core functions:

- Consumer information and education (approx 30%).
- Policy, advocacy and research (approx 30%)
- Legal advice and assistance (approx 40%)

(Note that these three functions closely mirror the findings of the Productivity Commission's Review of Australia's Consumer Policy Framework in 2008. They recommended priority is given to:

- Better consumer information and education programs;
- Enhancing consumer input into policy making; and
- Helping vulnerable and disadvantaged consumers.)

The organisation would be located in a major capital city, to be close to regulators, industry associations and other stakeholders.

However, the organisation would utilise a range of modern communication channels to ensure that its work incorporated the views of all superannuation members, and it could also undertake some advice and assistance work on electronic remote access platforms and/or via outreach services.

The organisation would work closely with other consumer organisations and advice centres.

## 4. Funding / staffing

A range of funding options is possible.

Direct funding from the Commonwealth Government would provide stable resources and could be justified by reference to the scale of the sector and the *mandatory* nature of superannuation contributions.

A small industry levy would also provide stable resources, and could help the organisation to grow in proportion to the size of the sector.

Alternatively, a proportion of swept-up funds from small and lost accounts could be diverted to fund the organisation, rather than entering consolidated accounts. This would allow the sector to fund the independent member representation organisation without any additional burden on Government or industry.

Key staff requirements include a CEO and a Principal Solicitor. Other staff would be required to assist in research, policy, education and advice roles, plus some administration support.

A detailed scoping study and draft budget would need to be prepared, but some indication of funding requirements can be gathered from an examination of the budgets of similar organisations:

- The Consumer Action Law Centre provides a mix of direct advice, legal services, education and policy advocacy, with a budget of approximately \$1.8 million per year.
- The Tenants Advice and Advocacy Centre NSW provides advice, education, legal services and some policy work, with a budget of \$1.2 million per year (just for NSW).
- The Australian Communications Consumer Action Network provides national advice, education, policy advocacy, consumer representation and a significant research output, for approximately \$2 million per year.

An indicative budget of \$1.5 million to \$2 million per annum would be required in order to provide an appropriate mix of advice, education, advocacy and legal services.

## 5. Getting started

If the Government were to announce an in-principle agreement to establish a Superannuation Consumer Representative Organisation, and a commitment to funding, work could commence on establishing the organisation.

The Australian Communications Consumer Action Network was established by the provision of a small sum (\$100,000) as seed funding to enable lawyers to draft a constitution and establish basic organisation structures, and to appoint founding directors. A similar approach could be used to establish the Superannuation Consumer Representative Organisation, which could then finalise staffing and premises and accept core funding.