



Doing super better

ANDREW PROEBSTL Chief Executive of legalsuper

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has concluded. What were the recommendations about super? What impacts will they have?

The final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry¹ makes a number of recommendations which, if implemented by government, have the potential to further strengthen the super industry.

Tabled in Federal Parliament on 4 February of this year, the final report comes some 13 months after the Royal Commission commenced. During that time the Commission, led by former High Court Judge the Honourable Kenneth Madison Hayne AC QC, reviewed over 10 000 submissions from the Australian public, completed 69 days of public hearings and considered thousands of documents provided by entities, regulators and consumer advocacy groups.

This column explains key recommendations in the final report about superannuation in the areas of default funds, advice fees, hawking and culture and governance.

Default funds

Recommendation 3.5 of the final report is that a person should have only one default superannuation account and that processes should be developed to 'staple' a person to a single default account.

This recommendation has been made to address the problem that has arisen with people having multiple super accounts, typically due to changes in employment.

According to the Australian Tax Office, as at 30 June 2018, almost 40% of Australians have more than one super fund account, with some people having six or more accounts.²

Rather than keeping the same super account each time they change jobs, people have either chosen a new super fund or been signed up to a new super fund by their new employer.

While employees should, and do, have the right to change super funds, the problem with multiple accounts is that people end up paying multiple sets of fees and charges to different super funds. This can unnecessarily eat into their super fund account balance.

If recommendation 3.5 is implemented by government, people will retain the right to choose their own super fund, but the practice of new employers signing them up to a new default fund is likely to change such that the super fund account to which they are 'stapled' will apply.

A further problem which arises from multiple accounts is that the more accounts an individual has, the increased likelihood that they will lose track of their super. As at 30 June 2018, there were over 6.2m lost and ATO-held super accounts and \$17.5b waiting to be claimed.³

Advice fees

Fees and charges charged by some funds in relation to their clients have rightfully come under intense scrutiny in recent years and this topic was a focus of the Royal Commission.

In particular, the Royal Commission found instances where fund members were charged fees for advice services when in fact these services were not delivered. In some instances, these advice fees were automatically deducted from a member's superannuation account.

As a result, the Royal Commission made recommendations to address the inappropriate charging of advice fees. These recommendations include a total ban on deducting advice fees from MySuper accounts (recommendation 3.2) and more stringent conditions on the charging of advice fees for Choice accounts (recommendations 2.1 and 3.3).

MySuper accounts are the default super fund accounts to which people are allocated if they do not choose

their own super fund. With Choice accounts, people actively choose their super fund.

No hawking of superannuation

Recommendation 3.4 of the Royal Commission was to prohibit the practice of some businesses 'cold-calling' or 'hawking' people, seeking to sign them up to a particular super fund. Another scenario was ostensibly calling people about an unrelated product or service before changing tack and trying to persuade people to sign up to a superannuation fund.

Culture and governance

The Royal Commission recommended changes to further improve the culture and governance of super funds. These recommendations include:

- Reducing the potential for conflicts of interest for super fund trustees by prohibiting them from taking on any roles or responsibilities that have the potential to conflict with their duties as a trustee of a super fund (recommendation 3.1).
- Trustees and directors who breach certain obligations in relation to MySuper accounts should receive civil penalties for these breaches (recommendation 3.7).
- A ban on super funds providing incentives or rewards (financial or otherwise) to employers which might be seen as trying to influence the employer to choose one default super fund over another on behalf of the employees of the business (recommendation 3.6).
- A number of changes to the roles and powers of the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) to improve their performance as regulators of the superannuation industry.

What action government will take on the recommendations of the Royal Commission is yet to be decided. In the interim, your super fund should be keeping you up-to-date about any changes. If you have any questions about the recommendations as they stand, please contact your super fund for more information.

This information is of a general nature only and does not take into account your objectives, financial situation or needs. You should therefore consider the appropriateness of the information and obtain and read the relevant legalsuper Product Disclosure Statement before making any decision.

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1. <https://treasury.gov.au/publication/p2019-fsrc-final-report/>
2. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Multiple-super-accounts-data/>
3. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Multiple-super-accounts-data/>

About & contact

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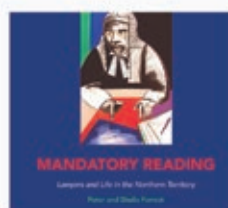
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