

**ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING,
SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY**

**SUBMISSION BY TWU NOMINEES atf TWUSUPER IN RESPONSE TO
THE REQUEST BY THE COMMISSION DATED 12 JANUARY 2018.**

1. This response is prepared for TWU Nominees Pty Ltd ('the Trustee') (ABN 82 264 372 635), in relation to its directors, officers, employees, etc, and its associated entities for the period 1 January 2008 to date.

Background

2. TWU Nominees Pty Ltd (ABN 67 002 835 412) acts solely as trustee for the TWU Superannuation Fund (ABN 77 343 563 307). The Fund operates under the trade name TWUSUPER, and for brevity TWUSUPER is used in the response below interchangeably for the Trustee and the Fund.
3. TWUSUPER was established in 1984 by the Australian Road Transport Industrial Organisation (ARTIO), a national transport employer association, and the Transport Workers Union of Australia (TWU).
4. The Trustee operates under the equal representation model where members and employers are equally represented, with an independent director/chair.
5. The Directors of TWUSUPER comprise:
 - an Independent Chairperson;
 - four TWU representatives;
 - four ARTIO representatives; and
 - up to three alternative Directors from both TWU and ARTIO.
6. TWUSUPER is a public offer fund, and is a Registrable Superannuation Entity regulated by the Australian Prudential Regulatory Authority (APRA) and holds an AFSL licence with the Australian Securities & Investments Commission (ASIC).
7. TWUSUPER utilises four brand names – TWUSUPER, Transuper, Transpersonal and TransPension.
8. TWUSUPER is Australia's Industry Superannuation Fund for those in the transport and logistic industries. The Fund services members and employers nationally. Members are employed and engaged in all manner of transport and related industries including road freight, bus, aviation, storage, couriers, removalists, refrigeration transport and waste management. Membership of the Fund is not limited to the transport sector as per the public offering.

9. TWUSUPER has performed above the median superannuation fund when measured by Selecting Super performance tables at 31st December 2017. The below table is a summary from the Selecting Super table. The Investment options in column 1 below relate to balanced options and not high risk or low risk products.

	Investment Options in Survey	TWUSUPER Ranking	TWUSUPER Performance %PA	Median Performance %PA	TWUSUPER Outperformance %PA
1 year	188	20	11.6	8.9	2.7
3 years	184	38	8.2	6.6	1.6
5 years	160	42	9.8	8.6	1.2
7 years	130	39	8.4	7.6	0.8
10 years	135	51	5.1	4.7	0.4

10. TWUSUPER has a practice of constantly improving its services. Some examples of recent changes are:

- Custodian services resulting in improved investment manager reporting, overlay reporting and access controls at a reduced cost;
- Death and disability insurance resulting in improved electronic claims lodgement, phone based claims lodgement and follow up process by the insurer;
- Establishing a Financial Advice provider and embedding advisors within the Fund's Secretariat to assist the understanding of Fund members and thereby provide tailored rather than generic advice;
- Introduction of binding death benefit nominations enabling members to direct the Trustee to pay death benefits in accordance with their wishes; and
- Transitioning external administration services to a new provider to improve member and employer services, particularly targeted communications thereby reducing costs and improving member services.

11. Some examples of changes in progress are:

- Funding an external research project to review the future of transportation in Australia. This research provides a basis to understand members, how they will be employed, e.g. gig or on demand economy, contractual, and newly emerging forms of worker engagement to enable the Fund to tailor service and communication with those individuals to drive improved wealth creation and retirement outcomes; and
- Review of the Fund's Environmental, Social and Governance (ESG) inputs to investment managers. To date focus has been on understanding investment managers' processes and improving their reporting and

compliance with international standards. Next the Fund will overlay managers' process and reporting to reflect members ESG expectations.

12. The above approach reflects TWUSUPER's Corporate Values of:
 - Service Focused
 - Integrity
 - Working Together
 - Commitment
 - Continuous improvement.
13. TWUSUPER has under management members' funds in excess of \$5 billion, 124,000 members and 20,000 registered participating employers.
14. TWUSUPER outsources its administration to Australian Administration Services (AAS) pursuant to a service agreement and therefore for the purpose of this response AAS is classified as an entity "acting on [TWUSUPER's] behalf".

Response To The Request by the Commission Dated 12 January 2018.

QUESTION 1 – MISCONDUCT

15. TWUSUPER has not identified any misconduct by the entity as defined by the terms of reference or otherwise.

QUESTIONS 2 and 3

16. For the purpose of this response the expression “community standards and expectations” has been taken to include administrative errors which had the potential to adversely impact member’s rights and or benefits.
17. TWUSUPER has not identified any systemic or cultural practice or behaviour which it has engaged in that it believes has fallen below community standards or expectations in the period under review. It is not conscious of any such conduct or business activities engaged in by its directors, officers, employees or by AAS acting on its behalf.
18. It is convenient to deal with the several parts of the question by reference to the character of those identified in it. The Directors of TWUSUPER have not been involved in any such activity or incident. The directors of TWUSUPER are all non-executive directors. They are by definition not involved in the day to day management or conduct of the Fund or in its business activities. The board provides high level strategic direction and oversight only.
19. Day to day control of the business is in the hands of the CEO and the officers or employees. The remuneration policy of the Fund is that no incentive or performance bonuses are paid to any director, staff member or agent.
20. Moreover there has been no instance of any conduct or behaviour of any person associated with the fund relating to the person’s employment that has offended community standards. No complaint suggesting such misconduct has been received by the Fund.
21. Similarly no business activity undertaken by TWUSUPER has been impugned or falls below community standards or expectations. The fund makes orthodox investments and applies standard business practices. It maintains a set of internal accounting and business controls and review mechanisms to identify and correct any administrative errors, including internal compliance monitoring and reviews of its practices by AAS to ensure compliance with its SLAs. It functions with internal audit oversight provided by PWC and has an annual external audit by Ernst and Young. No audit has ever been qualified.
22. TWUSUPER has however identified a small number of instances where on a particular occasion failure to meet community expectations has occurred in relation to the fund’s practices. These are set out in this submission together with an analysis of the nature, extent and effect of each such incident.

Compliance related matters

Insurance reinstatement and the PDS

23. In April 2015, the Trustee became aware as a result of a systems audit review by AAS that the superannuation death and disablement insurance cover of a number of members of the TWU Superannuation Fund (‘the Fund’) had lapsed because their account balance was insufficient to cover premium payments. The cover should have been restored once the policy conditions were met including that the account balance had increased in order to cover the relevant costs of the insurance. However, cover was not restored in accordance with the Fund’s group life insurance policy and PDS.
24. The failure occurred as a result of incorrect configuration of the administration system maintained by its contracted Fund administrator during the period in question. Contributing factors were identified as a lack of clarity in the Fund’s business rules and a failure of back up manual processes by AAS.
25. The issue spanned the period from 26 January 2006 until 30 April 2015. Upon being notified in April 2015 the Trustee took steps to ensure the terms of the policy were complied with. During the relevant period, an estimated 1043 members were likely affected by the failure to reinstate their insurance cover in accordance with the policy.
26. Each of the members affected, leading up to the account balance running low prior to cover lapsing, had been sent a lapse warning letter. On the cancellation of cover, a cancellation letter was sent to the member who was also informed that reinstatement would occur if the conditions were met.
27. The Trustee obtained legal advice on its obligations and what rectification action was required.
28. The Trustee instructed its death and disablement benefits insurer, The Colonial Mutual Life Assurance Society Limited (‘CommInsure’), to provide cover on a prospective basis from 1 June 2015, with the ability in most cases to opt out of cover by 31 July 2015. This directive covered all members who would still have had cover had it been reinstated in accordance with the policy terms. The reinstatement was subject to conditions relating to pre-existing medical conditions and the Trustee was required to indemnify CommInsure in respect of liability for any successful claims from the period where cover was not provided.
29. A total of 479 members had their cover reinstated under the above arrangement, after allowing for members whose account balance would have been insufficient to support the payment of premiums as at 1 June 2015 or who were not entitled for other reasons – for example, they had opted out or reached the maximum age for cover.

30. The Trustee obtained a report from the Fund actuary (Mercer) as to the quantum of any potential claims made by other members or former members. The report suggested including an amount of \$300,000 in the Fund's operational reserves in the event of successful claims.
31. Changes were made to the administration system configuration to rectify the problem in late February/early March 2016. AAS instituted monthly integrity reports to help identify any new potentially affected members.
32. The Trustee asked Mercer (a superannuation advisor consultancy) to review the action taken by the Trustee in respect of the breach. As a consequence of the Mercer review the number of identified persons increased from 1043 to 1768. Mercer reported to the Trustee in May 2016 that overall it believed the action taken by the Trustee based on completed and proposed rectification actions to have been adequate and appropriate.
33. At the time and based upon its legal advice the Trustee assessed that the failure to reinstate constituted a breach of its RSE Licence in terms of section 29E(1)(b) of the Superannuation Industry (Supervision) Act 1993 ('SIS Act') and of its AFS Licence in terms of section 912A(1)(b) of the Corporations Act 2001 ('Corporations Act') and that the breach was a significant breach in terms of section 29JA of the SIS Act and section 912D of the Corporations Act.
34. The Trustee reported the breach to the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) in September 2015. ASIC advised the Trustee that it did not propose to make any further enquiries at that time. APRA, after seeking details from the Trustee of its legal advice and other details regarding the breach by email in May 2016, advised the Trustee that it did not accept the Trustee's legal argument that the affected members had waived their entitlement to cover for the period in question.
35. Based upon APRA's indication, the Trustee identified all potentially affected members over the period (including both current and exited members) has written to those affected inviting them to lodge any outstanding claims in respect of the period. The Trustee proposes to make monies available by way of compensation on a case by case basis in order to ensure no detriment is suffered by affected members.
36. Data for the relevant period has been extracted with the assistance of AAS and analysed to identify present and past members potentially affected by the insurance reinstatement failure. In order to ensure all affected members were properly captured and identified Mercer Human Resources and Ernst & Young were retained.

37. Those entities then reviewed the data and then data extraction processes on behalf of the Trustee. The Trustee has as already stated written to the affected members. Eight members were identified as having passed away in the relevant period. The Board of the Trustee has instructed the CEO to contact the legal personal representatives of the deceased members to invite them to lodge claims for death or disablement (including Total and Permanent Disablement) benefits if they believe they meet the entitlement criteria in the group life insurance policy. The Trustee will then assess any claims received against the criteria, including as to whether the insurable event occurred during a period when the member should have had insurance cover.
38. TWUSUPER considers this breach was a single administrative error by AAS and not reflective of a failure of culture, governance practices or other practices of the Fund.
39. The nature of this issue is of the conduct has been identified as an administrative error in not updating the relevant criteria in the administration system which would have identified the affected persons.
40. The extent of the issue is limited to the 1768 identified persons.
41. The effect of the conduct should be limited given the remedial steps the Trustee has put in place following the identification of the foregoing issue.

Answers to the specific questions

Question 3(a): No

Question 3(b): No

Question 3(c): No

Question 3(d): Yes, risk management/compliance management.

Question 3(e): After the issue was identified a monthly check covering the input parameters of the administrative system was put in place.

Crediting rate error

42. Errors were made in the calculation of interim crediting rates to be credited to members' benefit accounts on account of Fund investment earnings from 1 July 2008 to 12 May 2009. The error was caused by inaccurate performance figures being supplied by the Fund's then asset custodian.
43. The errors related to returns from particular investment portfolios managed by external investment managers on behalf of the Trustee. These were

reported without correctly taking into account the tax effect of the returns and for a period of time and thereby incorrectly excluding returns from a particular portfolio.

44. The total cost by way of overpayments was \$625,238 to members. 99 members received an overpayment of at least \$1,000. Total underpayments were limited to \$1,170 affecting 285 members.
45. The earning rate calculations were rectified from 12 May 2009 and a remediation process undertaken to recalculate interim crediting rates based on revised returns. All payments made during the period from the affected member investment options, as well as existing account balances in those options, were addressed. In accordance with the crediting rate policy at that time, members identified as being underpaid by at least \$20 (four in total, as at 21 September 2009) were entitled to reimbursement. Improvements were made to the spreadsheet used at the time to reduce manual input and hence the margin for error.
46. Compensation was sought from NCS when the results of the calculations was known. The Trustee and NCS resolved the matter by way of a compensatory arrangement.
47. The Trustee assessed the incident as a breach of benefit payment standards under the SIS Act but not a significant breach requiring reporting to APRA and/or ASIC.
48. TWUSUPER considers this breach to be one off and not reflective of a failure of culture, governance practices or other practices.
49. Steps taken to remedy affected members are outlined above.
50. Subsequent to this error, TWUSUPER replaced the calculation process with an automated system and unitized the investments at option level.
51. The previous system which was in place has been replaced with a unit pricing asset level which is automated and not manual thereby ensuring the previously identified error is not replicated.

Answers to the specific questions

3(a): No

3(b): No

3(c): No

3(d): No. Limited to administrative error.

3(e): As above and by way of automated system now in place.

Incidents

52. TWUSUPER has procedures in place for identifying, reporting and assessing incidents and breaches.
53. A record of all incidents and breaches as reported by staff and service providers is maintained by the Compliance Team. All incidents and breaches are initially assessed by the Risk and Compliance Manager and reviewed by the Chief Governance Officer prior to finalisation and subsequent notification to the Audit, Risk and Compliance Committee (ARCC) as delegated by the Board of TWUSUPER.
54. For the relevant period of 1 January 2008 to 15 February 2018, there were a total of 211 incidents reported to TWUSUPER of which 124 were found to be breaches. These breaches were subsequently assessed for their significance and materiality as required under Section 29JA of the SIS Act and section 912D of the Corporations Act and, if applicable, reported to the relevant regulator.
55. The Fund had one (1) breach during the relevant reporting period which was found to be significant and reportable to the regulators, APRA and ASIC. This breach was discovered in 2015 in relation to member insurance reinstatement for cover. The breach has been addressed at [23-41] above.
56. A high-level breakdown of the incidents and breaches is provided below:

Type of Incident or Breach	Incident	Non-reportable Breach	Reportable Breach	Compensation amounts paid (if any)	Paid by whom?
Administrative	33	1		\$6,386.01	AAS
Crediting rate	2	3		\$672,906.00	Trustee/NCS
Disclosure	3	18			
Insurance	1	1	1		
IT and system issues	11				
Operational	27	6			
Privacy	1	38			
Regulatory lodgements		8		\$196.00	Trustee
Security	1				
SIS		35		\$41,826.30	AAS
Tax	1	13			
To be determined	7				
TOTAL	87	123	1	\$721,314.31	

Answers to the specific questions

Question 3(a): No

Question 3(b): No

Question 3(c): No

Question 3(d): No

Question 3(e): Nil.

Non reportable breaches

57. A total of 123 non-reportable breaches as shown in the above table have been recorded since 1 January 2008. Of these, 20 were recorded as breaches of the requirements of the Privacy Act 1988. Other categories include breaches of standards set out in regulations made under the SIS Act in relation to matters such as preservation, portability and payment of benefits, contribution rules, etc.; breaches of taxation administration laws relating to, eg, timely and accurate provision of information to the Australian Taxation Office; legal deadlines for lodging notices with regulators, updating disclosure documents; laws prescribing content of disclosure documents.
58. These breaches tend to be “one-offs” in their nature and causation. The great majority are administrative in nature. The underlying trend of these breaches are human error and systems configuration errors. Rectification measures include retraining of staff, additional checks and balances being put in place (such as an extra person checking a procedure), systems fixes, apologies to members (in the case of privacy breaches) or reimbursing the accounts of members. In the case of privacy breaches, measures being implemented include restrictions on sending private information by email and development of a secure portal for member communications.
59. The Trustee monitors compliance breaches on a quarterly basis through its Audit, Risk and Compliance Committee.
60. The only breach recorded since 1 January 2008 requiring reporting to the regulators was the insurance reinstatement breach referred to above.
61. TWUSUPER considers that these breaches tend to be human error. The corrective action involves addition training and controls in administration processes.

Correspondence with regulators

ASIC - YouTube advertisements

62. ASIC wrote to the Trustee on 25 September 2015 regarding two videos uploaded to the Trustee's YouTube channel as part of Industry Super Australia's ('ISA') 'Compare the Pair' campaign. ASIC alleged the videos were inconsistent with directives it had provided to ISA (one of the Trustee's industry associations) in 2014 requiring future versions of the advertisement to provide details about the samples used in the comparison and include a voiceover clarifying that past performance is not a reliable indicator of future performance.
63. The Trustee removed the video from its YouTube channel the same day ASIC's letter was received. It advised ASIC of this in a letter that also detailed the Trustee's due diligence processes for communications materials, including materials posted on the YouTube channel. That process, which is fully documented for all communications materials, involves review and sign-off by all relevant internal and external parties, with external legal review if necessary and final sign-off in all cases by the Trustee's Chief Governance Officer. The letter advised ASIC that the Trustee was reviewing its due diligence procedures, including as to involvement of third parties such as ISA.
64. ASIC wrote back to the Trustee advising that, in light of the action taken by the Trustee in removing the two videos and reviewing its due diligence procedures, it had no further queries at that stage. The nature of this matter related to compliance. The extent of this matter was limited to two videos uploaded to the YouTube channel.

The effect of the above was minimal as the videos were removed upon receipt of the letter from ASIC and a review of due diligence procedures was undertaken.

Effective Disclosure Project

65. ASIC wrote to the Trustee on 16 June 2017 with two general observations for the Trustee's attention which arose from ASIC's Effective Disclosure Project. ASIC alleged that:
- 1) Periodic statements issued by the Trustee to Fund member were not fully compliant with requirements of the Corporations Act and Regulations dealing with disclosure of the AFS Licence number and fees and costs; and
 - 2) The Trustee's website did not include the Australian Business Numbers (ABNs) of outsourced service providers.

66. The Trustee after obtaining legal advice replied to ASIC advising that:

- 1) The AFS Licence number was included in the additional information section of the periodic statement, which complied with the Corporations Regulations, and that the fees and costs requirements of the Regulations were complied with by the Trustee (ASIC having misinterpreted the Regulations); and
- 2) The Trustee provided ABNs on the website for service providers performing a material business activity (which is what the Regulations require), but that the Trustee will modify the layout of this section of the website so it is clear which service providers perform a material business activity and which do not.

Audits and reviews this matter is addressed on the basis of wanting to ensure full-disclosure and transparency. The Trustee does not believe this matter falls below community standards. This matter is disclosed to establish good-faith with the Commission.

External audits

67. No audits have been qualified by Ernst and Young as external auditors

Internal audits

68. No concerns have been raised by PWC as internal auditors.

Litigation – this matter is addressed on the basis of wanting to ensure full-disclosure and transparency. The Trustee does not believe this matter falls below community standards. This matter is disclosed to establish good-faith with the Commission.

69. Since 1/1/08, the Trustee has been involved in litigation proceedings brought against it by 26 different plaintiffs. All 26 cases involved claims denied under the Trustee's group life insurance policy.

70. 25 of those were claims for declined Total and Permanent Disablement (TPD) benefits and TWUSUPER joined the insurer as an additional defendant (which was CommInsure in all but one of those cases, where it was National Australia Financial Management, CommInsure's predecessor as the Fund's insurer). One of those 25 claims involved a declined death benefit as well as a declined TPD benefit. The other claim was for a denied TPD cover increase.

71. 22 of the actions brought against the Trustee have concluded, with four still on foot. Of the 22 concluded, three were withdrawn following approval by the Trustee of the TPD benefit claim and payment of the benefit and the remaining 19 were the subject of a confidential settlement between the plaintiff, the Trustee and the insurer.

72. No court case involving the Trustee has proceeded to final judgement since 1/1/08.

Complaints - this matter is addressed on the basis of wanting to ensure full-disclosure and transparency. The Trustee does not believe this matter falls below community standards. This matter is disclosed to establish good-faith with the Commission.

Complaints History for 10 years to 31 December 2017

73. The Fund's Dispute Resolution Procedures are reviewed by the Trustee every 3 years (or earlier if considered appropriate in response to a specific complaint handling experience, a change in the relevant law or relevant amendment to the Trust Deed).

74. TWUSUPER's dedicated Committee of the Trustee, known as the Complaints & Appeals Committee, meets each month. The Committee Charter sets out the responsibilities and duties with the primary function of the Committee is to deal with and resolve inquiries, complaints and appeals by the Committee exercising the Trustee's discretions and powers. In carrying out its responsibilities, the Committee reports to each Board Meeting.

75. The table below provides a 10 year summary of the number of complaints received by category which have been dealt with by the trustee.

Years	Death Objections	TPD Objections	Administration Complaints	Total Objections / Complaints
2008	17	0	37	54
2009	19	0	50	69
2010	13	0	62	75
2011	33	7	32	72
2012	32	12	37	81
2013	29	14	39	82
2014	38	25	42	105
2015	32	13	40	85
2016	26	12	60	98
2017	24	5	31	60
Total	263	88	430	781

Death Objections

76. These objections generally occur as a result of dissatisfaction with the trustee's decisions regarding the distribution of death benefits to beneficiaries. TWUSUPER is required to pay benefits in accordance with the

Fund's rules which require the Trustee to determine how death benefits should be divided among a number of potential beneficiaries.

77. During the 10 year period 263 death benefit objections were received by the trustee resulting in 80 SCT complaints. These were resolved either through the SCT conciliation process, by withdrawals or otherwise resolved.

Improvements

78. To provide members with greater certainty about who will receive their superannuation benefit (including death benefit) the Trustee introduced in 2017 Binding death benefit nominations. This provides members with the ability to direct the trustee how members' death benefits are to be paid and to whom (subject to the general rules applicable to this facility).

Total & Permanent Disablement (TPD)

79. These objections generally occur as a result of differing medical opinions, eligibility for cover and level of cover.

80. During the 10 year period 88 TPD objections were received by the trustee resulting in 20 SCT complaints. These were resolved either by the insurer accepting or denying the claim.

81. Improved insurance services

- Member direct model – where a member has a claim (or wants to apply for additional insurance cover) this can now be done over the phone, eliminating the need for delays in paper being moved by mail. This allows more intuitive questioning relating to the member's condition or needs and reduces processing delays.
- The insurer will follow up any outstanding requirements directly with members, employers, and medical practitioners. This initiative speeds up the claims process – faster outcomes for members.
- Enhanced service standards, including the insurer communicating with members by providing them with regular status updates at least every 20 days.
- Better technology services, for the member. This provides members with the ability to view the progress of underwriting applications and claims assessment online 24/7, and to upload supporting documents directly to the insurer's system.

Administration Complaints

82. Table 1a provides a 10 year history of administration complaints grouped in major categories. These complaints generally occur in the following categories,

- Insurance - (refund of insurance premiums, declining cover, commencement of cover);
- Processing delays – (rollovers, payment processes, assessing claims, processing TPD claims, beneficiary nominations);
- Fund rules – (meeting the required documentation to initiate payment, processing outside service standards, members not aware or unfamiliar with fund rules.

Complaint Type	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Insurance issues (automatic cover, refund of premiums, declining cover increase)	6	12	5	6	8	5	4	5	1	4
Reduction of benefit on account of earnings - GFC in 2008 & 2009	0	0	0	0	0	2	5	14	26	18
Financial hardship claims (conditions of release, restrictions, delay, minimum balance requirement)	0	0	1	0	3	3	3	6	1	2
Processing delays (rollovers, payments, claims being assessed/paid*)	4	24	6	12	12	11	12	26	11	5
Mistakes (account details, fees and charges, fund rules, interest rate applied, date of disability, incorrect transfer, disclosure on statements)	2	1	1	1	3	11	7	3	0	1
Fund rules** (choice of fund rules, business rules, charging of fees and charges, SMSF rules, identification procedures)	10	12	13	15	8	0	1	2	1	3
Customer service (standard of service, level of service, etiquette)	0	3	5	2	0	4	0	1	1	1
Superannuation rules (conditions of release, portability, Anti detriment)	1	0	0	3	1	1	0	0	1	2
Disputing death or disability decisions ***	8	8	9	3	4			5	8	1
Total	31	60	40	42	39	37	32	62	50	37

*This relates to claimants and representatives expressing concerns about time taken to reach a decision to pay TPD/Death benefits.
**This relates to Fund rules, e.g. Business rules that dictate required documentation, for release of payments standard processes, service levels, etc.
***This covers complaints where the primary issue relates to decision made on death benefit distribution or the decline of a disability benefit.
(Note the complaints are categorised according to their main ground, as some would otherwise cover more than one category).

83. Appendix A details the administration complaints by year and provides a high level understanding of their nature and remedies.

Superannuation Complaints Tribunal (SCT)

84. During the 10 year period to 31 December 2017, of the 781 complaints shown above, 171 were lodged with the SCT.

85. The tables below show the number and type of the complaints lodged.

Total Objections / Complaints	SCT Complaints	% of Total complaints to SCT
54	13	24%
69	16	23%
75	21	28%
72	29	40%
81	9	11%
82	17	21%
105	19	18%
85	13	15%
98	15	15%
60	19	32%
781	171	22%

SCT Complaints				
Years	SCT	Death	TPD	Admin
2008	13	6	0	7
2009	16	6	0	10
2010	21	5	0	16
2011	29	9	3	17
2012	9	7	1	1
2013	17	9	4	4
2014	19	13	1	5
2015	13	8	1	4
2016	15	6	5	4
2017	19	11	5	3
Total	171	80	20	71

86. During the 10 year period to 31 December 2017 there were 171 complaints lodged with the SCT. Of these 80 related to death complaints or (47%) as demonstrated in table 2 above. These SCT complaints were resolved by, conciliation, withdrawal (either by the member or SCT) or proceeding to final determination.

SCT Determinations

87. Of the 171 SCT Complaints seven (7) SCT determinations issued to the trustee where the tribunal had set aside the decision of the trustee and insurer (if applicable) and substituted its own decisions.

88. Four (4) decisions made by the trustee related to where the SCT varied the death benefit percentage allocations due to beneficiaries.
89. One (1) decision made by the trustee related to where the SCT recommended the appointment of a public trustee to administer trust accounts for and on behalf of the minor recipients.
90. One (1) decision made by the trustee related to where the SCT recommended the full refund of insurance premiums deducted from the member's account for the period from the commencement of cover to cessation of Fund membership totalling the sum of \$124.
91. One (1) decision made by the trustee related to a TPD claim where the tribunal determined that it was not satisfied that the decision of the trustee and insurer were fair and reasonable and found the complainant was TPD. The insurer agreed to pay the claim on commercial grounds.
92. The trustee did not object to any determination made by the SCT.

Risk Reserve Payments - this matter is addressed on the basis of wanting to ensure full-disclosure and transparency. The Trustee does not believe this matter falls below community standards. This matter is disclosed to establish good-faith with the Commission.

93. Effective 1 July 2011, TWUSUPER established an operational risk reserve to set aside monies to meet the adverse financial impact on members should an error or other action result in a loss.
94. Appendix B details 15 payments from these reserves totalling \$83,488 (some of these payments are included in the above matters, including notable \$50,000 for a case described under the litigation heading).
95. Effective 1 July 2013, APRA introduced an Operational Risk Financial Requirement prudential standard. The Operational Risk Reserve was split into two reserves (Operational Risk Reserve and Strategic Risk Reserve).
96. Prior to maintaining these reserves no register was maintained.

QUESTION 4

97. The attached spreadsheet, Appendix C, details the expenditure amounts used by TWUSUPER for the past 10 financial years (1st July 2007 to 30th June 2017). Each of the Fund's cost centres and typical expenses is explained below. It should be noted that cost centres have changed over the 10 year period and efforts have been made to align past year expenditure to the current cost centres. The amounts are derived from the cash budget expenditure reports.

COST CENTRE A: ADMINISTRATION

i. External Administration Expense

98. Administration fees are those fees paid to an external administration company, as a bundled service, to maintain member records and process contributions, benefit payments, preparation of internal and external reporting requirements.

99. It includes some additional fees incurred in system enhancements or additional requirements.

ii. Internal Administration Expense

Payroll

100. Typical expenditure uses:

- Internal Secretariat staff salaries, superannuation, payroll tax, WorkCover insurance and recruitment costs.
- Secretariat staff employed by the Fund to perform various compliance, investment, finance, administration, company secretarial services as well as member and employer services.
- At 30 June 2017, TWUSUPER had 36 staff positions in the following functions:

○ CEO office	4
○ Administration/Insurance/Strategy/Customer Experience	10
○ Investment Management	2
○ Governance	2
○ Finance	3
○ Marketing and Communication	5
○ Field Staff	10

101. TWUSUPER does not award bonuses to Directors or staff, with no proportion of remuneration "at risk". This has been formalised in the Remuneration Policy from December 2012. Prior to December 2012 TWUSUPER maintained the same policy of no bonuses and no incentivisation however the policy was unwritten but still in existence.

Fixed Assets

102. Typical expenditure uses:

- Purchase of assets necessary for internal staff to perform their respective function. Items include office furniture, computer hardware and software and motor vehicles.

IT Support

103. Typical expenditure uses:

- Maintenance of Secretariat computer systems including system back-ups, security, set up of users, system access.
- Until 2010/11 this service was included in the bundled service provided by the external administrator.

Office expenses

104. Typical expenditure uses:

- Office rental;
- Electronic device communications;
- Stationery and photocopy supplies;
- Postage and couriers; and
- Insurance and bank charges.

105. The Fund pays rent to, or has over the 10 year period, some employer and employee organisations in return for office accommodation for TWUSUPER employees engaged in Fund business.

106. At various times over the past 10 years, Fund staff, up to two people per office, utilised the following offices:

- TWU NSW Branch.
- Queensland Trucking Association
- TWU Queensland Branch at a cost of \$1 per annum.
- Western Australian Road Transport Association.

107. Currently one staff member is located in the offices of:

- Queensland Trucking Association at a cost of \$23,000 per annum (inclusive of all utilities and connectivity and internet services).
- TWU Queensland Branch at a cost of \$10,300 per annum (inclusive of all utilities and connectivity and internet services).

108. In addition, the Fund pays for two staff car parking spaces at the TWU NSW Branch office at a cost of \$8400 per annum.

109. These arrangements benefit the Fund by providing:

- Cost effective commercial office space for Fund employees;

- The opportunity for Fund employees to connect directly with Fund members and employers; and
- The opportunity for Fund employees to connect directly with union officials, including Superannuation Liaison Officers, and union delegates to assist in meeting with Fund members.

Training, Membership and Subscriptions

110. Typical expenditure uses:

- Staff and Director training to attend conferences and training events.
- Membership of various professional and industry associations, including The Association of Superannuation Funds of Australia (ASFA) and Australian Institute of Superannuation Trustees (AIST) and Industry Fund Forum.

111. Members best interest:

- Appropriately trained and informed Directors and staff is critical to the administration of TWUSUPER for compliance of superannuation regulations and practices and servicing members.

Travel, Motor Vehicle and Related Expenses

112. Typical expenditure uses:

- Costs relating to staff and Director travel to attend Board and Committee meetings, training conferences, attendance at events, worksite meetings with employers and members
- Costs include accommodation and meals.

Legal Fees

113. Typical Expenditure Uses:

External Legal advice, including:

- Contract and agreement reviews;
- Member annual reports and statements;
- PDS and member communication reviews; and
- Legislation and regulator standard advice.

Consultants Fees

114. Typical Expenditure Uses:

External advice not covered by other expense categories, including:

- Product reviews, e.g. new insurance arrangements, fee disclosure;

- Board and strategy reviews;
- Compliance and risk management advice;
- Policy development; and
- Service provider tenders.

Stronger Super

115. Typical Expenditure Uses:

- This expenditure item was expressly created to isolate costs associated with implementing “Stronger Super” reforms introduced by APRA including new policy requirements and administration system changes.

iii. Compliance

Compliance and Internal Audit

116. Typical expenditure uses:

- Legal review of documentation and other representation;
- Development of Risk Registers;
- Advice in relation to enquiries;
- Regulation liaison;
- Reviews of administrations compliance with service standards; and
- Electronic compliance systems.

Audit and Tax Fees

117. Typical Expenditure uses:

- Audits in compliance with regulatory requirements, reviews of process; and
- Tax advice in relation to completion of tax returns, calculation and lodgement of tax payments, investments both domestically and international, liaison with Australian Taxation Office (ATO) on unclear legislation.

Director Meeting Fees

118. Typical expenditure uses:

- TWUSUPER compensates the organisations that provide the respective Director to compensate for the Director’s time undertaking Board, Committee and other TWUSUPER activities that the Director is not spending on their substantive role; and
- Director meeting fees are not paid directly to the individual Directors.

Indemnity and Cyber Liability Insurance

119. Typical expenditure uses:

- Insurance policies to protect member benefits, including
 - in the event of actual or alleged acts, errors , omissions, conduct, duties, fraud etc.;
 - Restoring, updating, recreating or replacing damaged digital assets; and
 - Malicious or unauthorised use of the Fund’s digital assets.

Regulatory Fees

120. Typical expenditure uses:

- APRA Supervisory Levy; and
- ASIC fees – annual company fees, product disclosure in use fees.

iv. Service

Financial advice

121. Typical expenditure uses:

- Provision of advice to members to assist them to prepare financially for retirement. Services include simple intra fund advice, e.g. what is salary sacrifice, and members are able to obtain full financial plans on a fixed cost user pays basis.
- Effective 1st July 2012 this service is provided by Industry Financial Services (IFS), a subsidiary of Industry Super Holdings Pty Ltd, under its AFSL licence. It was previously provided by a subsidiary of the external administration company.

Product Reviews and Surveys

122. Typical expenditure uses:

- Member Satisfaction Survey
- Employer Satisfaction Surveys
- Website development
- Benchmarking reports
- Net Promotor Scores
- Fee Reviews

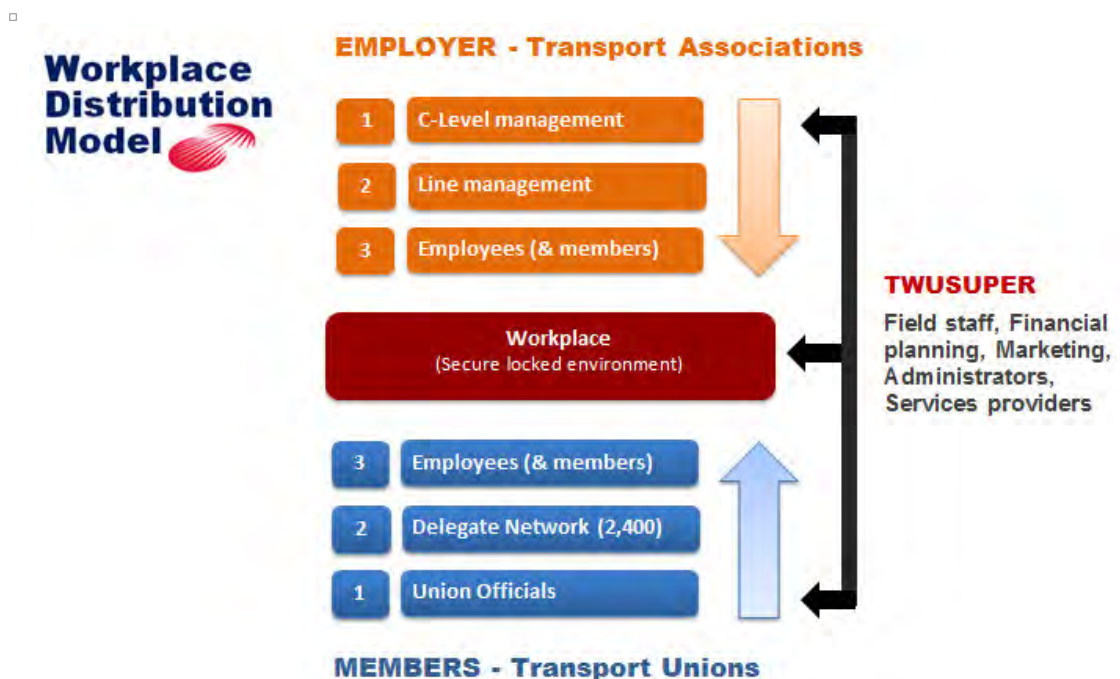
COST CENTRE B: INVESTMENT

123. Investment fees noted exclude external investment manager fees and internal staff salaries.
124. Investment fees include:
- fees paid to an external custodian to hold investments in custody, calculate performance reports, unit pricing and maintain investment and tax transactions record keeping and reporting;
 - Investment Advice; and
 - Contract legal advice, membership association and miscellaneous investment management costs.

COST CENTRE C: COMMUNICATIONS AND MARKETING

125. TWUSUPER's workplace distribution model underpins the Fund's business model and membership base and provides context for expenditure and why it is incurred in the best interest of members.
126. The Fund's current strategic plan has three strategic 'planks' being:
- Delight our members;
 - Leverage our transport industry footprint; and
 - Demonstrate a 'best practice' approach to governance and compliance.
127. As a superannuation fund principally serving the transport and logistics industries there are unique challenges reaching a workforce which is:
- Geographically widely dispersed membership covering both cities and rural areas;
 - Has broad member occupations, e.g. long haul drivers, baggage handlers, air hosts, city couriers;
 - Varying language and communication barriers, and, on average, low levels of financial literacy;
 - Often working long or non-core hours, e.g. bus drivers may commence at 5am or long haul drivers drive overnight;
 - Operating within highly secure work environments that are difficult to reach or have restricted access.
128. The 'Workplace Distribution Model' is at the core of the Fund's strategy and overcomes the unique challenges of the transport industry as outlined above. The focus of the Model is designed to ensure the worker is the primary consideration. It is a strategic collaboration with unions, employers' associations and employers, with aligned aims of bringing retirement education into the workplace domain and improving retirement outcomes.

129. In order to reach such diverse industry as the transport sector, the Fund taps into existing employer and union networks. This can be viewed as a top-down and bottom-up strategy.



130. The Fund's employer objectives are to work top-down with the management of transport companies such as Linfox, Toll and Virgin Australia in order to gain the best outcomes for their people. Association sponsorship programs link the Fund to employers through networking, information content and brand exposure.

131. The Fund's member objectives are to reach people who work in transport and provide them with retirement solutions tailored to the sector. Transport union sponsorship programs are vital in reaching in excess of 2,000 workplaces across Australia, providing education, referral and influencing better retirement outcomes with the assistance of TWU organisers and delegates.

132. A significant aspect of the Workplace Distribution Model is that of supporting the industrial context, whereby the TWU network is involved in negotiations and agreements in relation to the inclusion of TWUSUPER in Awards and Enterprise Agreements as approved by Fair Work Australia.

Sponsorship

133. As noted above, TWUSUPER faces challenges to assist members' superannuation awareness and education about their benefits, insurance, preparation for their retirement.

134. Sponsorship of various events aims to overcome these challenges. In the main sponsorship has focused on employer associations, including ARTIO and employee events via the various TWU State Branches and other organisations.

135. Sponsorship programs can be broadly categorised into those aimed at reaching and influencing employers and those targeting members, including potential employers and members. The nature of the Fund's involvement in sponsorship is therefore largely dictated by the strategic goals of servicing members and growing the Fund.

136. In short these can be summarised as:

Employers: Increasing the Fund's footprint by gaining access to senior and operational (superannuation) management across the transport industry including current and prospective clients. In particular, Chief executive and senior level managers are often time poor and difficult to reach, so association networks and programs provide the opportunity to influence this important audience.

137. Aims:

- Develop senior level relationships leading to retention and growth;
- Improve operational effectiveness for employers in managing superannuation; and
- Reach the employee base via employer sponsored support including education.

138. Examples of employer related sponsorships:

- Industry awards events;
- Transport conferences with industrial relations and operational agendas;
- Targeted speaking events (breakfasts/dinners) for senior C-level management; and
- Leveraging industry association relationships, networks, communications and other channels.

Members: Reaching members and potential members to improve their knowledge of retirement and influencing positive superannuation related outcomes for these individuals. Due to the nature of the industry, this is inherently difficult for the reasons mentioned above.

139. Aims:

- Increase Brand awareness - knowledge of and the value to a member of TWUSUPER products and services;
- Drive outcomes such as account consolidation, salary sacrifice, pension uptake and access to financial planning services;

- Retain and grow membership including via input into industrial instruments, advocacy and education; and
 - Drive workplace education and positive industry outcomes in relation to retirement readiness.
140. Examples of member related sponsorships:
- Industry training events such as Delegate conferences, training and induction;
 - Workplace education including toolbox meetings, training seminars and speaking spots;
 - Distributing education materials into the workplace via a third party;
 - Leveraging union communication channels to members including web, newsletters, Delegate networks and other channels; and
 - Brand exposure.

Sponsorship Evaluation and Control

141. The process for evaluating and approving sponsorship proposals is
1. Sponsorship proposals are received from sponsoring organisations;
 2. Sponsorship proposals are evaluated and rated against criteria in the form of a business case in which the Fund's strategic objectives are paramount. Any previous sponsorship event experience is taken into account (refer point 5 below). The proposal is also reviewed for compliance with the 'sole purpose test' in section 62 of the SIS Act;
 3. The proposal is then reviewed by the Trustee's Communications and Marketing Committee and the Board for approval or otherwise;
 4. Sponsorship is included in the Fund's budgeting processes to monitor these costs; and
 5. Significant sponsorship activities are evaluated in the form of a post event report for individual activities included in sponsorship programs. Reports are written by Fund attendee with the aim of providing internal - feedback, business analysis and views of future involvement/improvement.
142. Members best interest:
- Creating positive channels to provide education and information to members to assist their financial preparation for retirement.
 - Retention of existing members and growing the fund through new members to achieve an increase in Fund Assets thereby achieving economies of scales and increasing returns to members.

Advertising Expenses

Purpose of Payments

143. Achieving positive Brand awareness within the transport and logistics sector is an integral part of the Fund's marketing strategy.

144. Advertising incorporates media channels such as outdoor advertising, journal advertising, editorial and increased participation at transport events including those conducted by the TWU.
145. Advertising is usually negotiated directly with the publisher.
146. Members best interest:
- Providing awareness of superannuation to inform and educate to assist them to prepare for their retirement.
147. In line with the Workplace Distribution Model The Fund has directed a portion of its advertising budget to journals produced by the various state branches of the TWU, including:
- ‘Transport Worker’ (TWU SA/NT Branch)
 - ‘TWU News’ (TWU NSW/ACT Branch)
 - ‘TWU news’ (TWU VIC/TAS Branch)
 - ‘The TWU Wheel’ (TWU WA Branch)
 - ‘On the Move’ (TWU QLD Branch)

Superannuation Services

148. A significant part of TWUSUPER’s workplace distribution model is to utilise the TWU’s officials and delegates network.
149. The Trustee and TWU recognise that the transport and logistics’ industries have a set of unique challenges due to structural and demographic issues, which means the Fund’s membership base is inherently difficult to communicate with. This makes it difficult for individuals to engage with the Fund to find out about their rights and entitlements. These issues include the widespread and fragmented distribution of workplaces and a workforce with generally low levels of financial literacy. Most members also spend much time on the road or work in secure sites which TWUSUPER staff cannot enter.
150. The services provided under the Superannuation Services Agreement (dated 4th March 2015) complement the work of the Trustee’s own field staff, call operatives (both internal and external) administrative staff and externally licenced financial planners. External licenced financial planners provide information and assistance about the Fund to members in the various States and Territories at a more specialised level than the Superannuation Service Officers (SSOs) (formally known as Superannuation Liaison Officers). However, the Fund’s field staff often do not have the same access to work sites as the SSOs, who are TWU members and can access the sites where the Fund’s members and potential members work. The Trustee also has contractual arrangements with Industry Fund Services (IFS) for the latter to provide financial planning services to Fund members.

151. The SSOs and TWU workplace delegates are encouraged to refer members to TWUSUPER field staff or Contact Centre for assistance where appropriate. They are involved in joint initiatives with the Fund such as distributing workplace education and campaign materials into secure workplace lunchrooms across Australia. This provides economical distribution of often bulky materials such as displays and posters through the TWU network which is comprised of up to 2,400 workplace delegates.
152. The TWU network also provides a way of integrating TWUSUPER field staff with workplaces - on an almost daily-basis making introductions and arranging group education meetings at workplaces.

Commercial Framework

153. The *Superannuation Services Agreement* (dated 4 March 2015) between TWUSUPER and the TWU sets out the framework and terms for services delivery. It is a commercial contract designed to deliver the optimum outcomes. It describes:
- The nature of services provided,
 - Terms and conditions,
 - Remuneration,
 - Regular activity reporting.
154. In addition, the Fund works with the TWU to further strengthen mutual accountability and transparency and are increasing the level of reporting to better capture the breadth of activity.
155. Without the TWU distribution network, TWUSUPER would be in a difficult position in that the costs to duplicate the service (if this was possible) would be prohibitive. The transport industry is inherently difficult for a superannuation fund to service – there are few other industry segments with the same access and membership challenges.
156. Via the extensive TWU network, Superannuation Services Officers act as the lynch pin between TWUSUPER and thousands of workplaces across Australia. The TWU network is a vital service and education delivery channel for the Fund.
157. The strategic and dollar value to TWUSUPER of the services provided by the relationship established under the SSA is of paramount importance to the Fund and its members. Transport worksites are commonly secure premises and unable to be accessed without approval and worksite induction. The example below will illustrate the cost savings for a simple task such as distributing education materials to workplace lunchrooms, particularly in the outer reaches of large states such as Queensland and Western Australia.

157.1. Example: Delivering of education materials to 2,000 worksites:

Without the TWU distribution network, we conservatively estimate that it would take a TWUSUPER staff member 25 months or 2 years to deliver an average of 4 kits per day (80 per month). Such a method is simply not feasible, given issues of security access and geographic disbursement, but illustrates the distribution ability of TWU for a relatively straightforward task as well as the logical economic sense.

Another example is delegates have negotiated above Superannuation Guarantee contributions in Enterprise Agreements in lieu of salary increases.

158. The nature of the arrangement, including the number of SSOs are the longstanding practices in place between the Trustee and the Transport Workers' Union of Australia (TWU) for the provision of superannuation services, including superannuation liaison services, by the TWU to the Trustee. These services have been co-ordinated through SSOs appointed by each State and Territory branch of the TWU.
159. The SSOs perform a pivotal role in connecting the Fund to its membership base through the TWU's network of union officials and approximately 2,400 workplace representatives. The SSOs' role includes acting as a liaison on superannuation matters between the TWU, the Fund and the members common to both.
160. Due to a range of factors such as geography, individual SSOs' responsibilities and skills, organisational and other factors, the role of the SSO varies within each branch. The proportion of the SSO's role spent as an SSO also varies from branch to branch – some combine it with other duties and others are employed exclusively as an SSO State/Territory branch (in accordance with the fee-calculation mechanism set out in Clause 4 of the current Superannuation Services Agreement). For this reason, the Fund has accepted that the cost basis of the current model is a significant factor, and must be commercially monitored.
161. Other persons generally assist the SSOs in providing the services on behalf of the various TWU branches, including TWU officials and office staff who help book appointments, prepare for worksite visits, distribute TWUSUPER publications and promotional materials, and perform similar functions. The SSOs also coordinate with union delegates at the worksite as necessary in providing the services.
162. This assistance includes TWU officials who manage a number of workplaces and the network of some 2,400 workplace delegates.

Superannuation Services Agreement (SSA) detail

163. The framework outlined in the Superannuation Services Agreement were earlier formalised in an agreement between the Trustee and the TWU dated 26 July 1990 and more recently in the Superannuation Services Agreement (SSA) dated 4 March 2015. The latter Agreement supersedes the Agreement of 1990 (which in recent times has not been used in practice). A Memorandum of Agreement for Reimbursement of Superannuation Officers Expenses entered into between the Trustee and each TWU State/Territory branch was used in support of the 1990 Agreement.
164. The SSA formalises the terms and conditions between TWU and the Trustee in relation to the provision of and payment for the services provided. The SLOs' role is to act as a conduit for the Fund and co-ordinate provision of the services, which include:
- work performed by TWU officials and delegates;
 - delivery of materials;
 - access to worksites to visit Fund members; and
 - liaison between parties to enterprise agreements and awards with respect to superannuation terms.
165. A list of the services is set out in Schedule AA of the SSA. Under the terms of the SSA, the services to be provided can be varied in individual States or Territories with the agreement of the Trustee and the local TWU branch secretary.
166. Over the past 10 years, like virtually all aspects of the Fund's operations, there has been an evolutionary approach to developing productive and transparent third-party arrangements. This is reflected in development of the current SSA between the Fund and TWU network and accompanying levels of improvement in reporting and accountability.

Communications and Marketing

167. Expenditure on communications and marketing is a combination of communications to members to comply with disclosure requirements, member information and campaigns to heighten member awareness as well as stationery and postage costs, including:
- Design and artwork for various brochures, forms, campaign flyers, annual reports and Product Disclosure Statements;
 - Campaign development;
 - Printing, postage and electronic mailing of stationery, letterhead, member statements, welcome kits and promotional material; and
 - Information/communications to members and employers such as quarterly newsletters.
 - Website, including:

- Development
- Maintenance and updates
- Hosting services
- analytic use reviews to guide improvements
- Gateway to member online access.

168. Members best interest:

- Costs to comply with legislative disclosure requirements and member and employer information to assist members to improve retirement outcomes.

Industry Super Australia (ISA)

169. TWUSUPER, along with other industry superannuation funds, contributes to ISA advocacy, research and brand promotion. For completeness, TWUSUPER is one of the owners of Industry Super Holdings Pty Ltd who in turn own ISA.

170. ISA have provided a cost effective representation for TWUSUPER. Recent examples include:

- a) Arranging the production and showing commercials via various channels promoting the Fund and the average investment returns achieved by industry superannuation funds compared to the average retail superannuation fund. This contributes to TWUSUPER brand image and targets how members of ISA member funds are better off in retirement, via their “compare the pair” commercials.

These commercials inform the current membership and potential members that TWUSUPER, like the other contributing superannuation funds, is a “trusted” brand there to benefit members with superior investment performance to the average retail fund.

- b) Advocacy and public relations programs to maintain the current Industrial Relations environment and prevent policy changes which have the potential to be detrimental to TWUSUPER and its member.
- c) Collective fund research projects to enhance the Fund’s brand image. Collective research has reflected in positive policy changes including new requirements for financial advice and public attention to the underpayment of superannuation contributions.

171. During the current financial year (2017/18) TWUSUPER also contributed to an additional joint marketing campaign. This campaign targets the protection of industry superannuation funds, and therefore the potential impact on TWUSUPER against potential legislative changes, including:

- Industry super funds have traditionally outperformed the “average” retail fund;
- Changing the successful equal representation model by mandating “independent” Directors on fund boards;
- Removal of the current default fund arrangements.

172. The changes, if enacted, have the potential to change the environment that has made TWUSUPER a member focused fund with superior investment returns and therefore superior retirement outcomes.

173. Members best interest:

This marketing expenditure is in members’ best interest as it provides:

- 1) Cost effective promotion of the TWUSUPER brand contributing to growth and retention of members. It is worth noting that the cost of media campaigns on the scale run would be prohibitive to TWUSUPER.
- 2) Creates a different medium to encourage TWUSUPER members to consider their superannuation which is targeted, as per our workplace distribution model, with the ultimate aim of providing for their own retirement.
- 3) Cost effective advocacy and public relations programs to protect members retirement outcomes should potential legislative changes be made e.g. pointing out the better investment outcomes for members compared to the average retail fund.

16 February 2018.

APPENDIX A

Administration Complaints

2008

Common causes include:

- The number of administration complaints was high due to the Global Financial Crisis. Many members were uncertain / confused with the notion of negative investment returns by superannuation funds.

Complaint remedy:

- Communications to members was to reinforce the message that superannuation is a long term savings arrangement.

2009

Common causes include:

- The number of administration complaints was abnormally high as a result of the Global Financial Crisis. Many members were concerned to see their account balance decline.

Complaint remedy:

- TWUSUPER continued with the communications strategy to members along the same lines as in 2008.

2010

Common causes include:

- delays in processing claims (reasons – ID requirement, need to contact potential death benefit beneficiaries, lost forms)
- misunderstanding of requirements for rollovers, termination information, disablement claims, 2008 insurance changes, financial hardship Centrelink verification
- poor service received from Call Centre
- opening of new member account after receipt of late contribution
- the main reason for the higher number of complaints in 2010 than previous year was that issues that stemmed from one-off problems arising from the system migration to aaspire (administration platform) by the administrator AAS.

All complaints were able to be answered within the 90 day deadline.

Of the 62 complaints received, 14 (i.e. 23%) related wholly or partly to a reduction in the value of the benefit on account of negative earnings in line with financial market returns. This compares with 52% the previous year. The reduction in the proportion of these types of complaints was attributed to the improved investment climate.

Complaint Remedy:

- Explanation in responses to complaints of matters such as:
 - How and why negative earnings were applied
 - Explanation of delays, including:
 - The need for identification processes, employer advice of termination prior to payment
 - (Death benefits) the need to contact and seek information from all potential beneficiaries, receive insurer's assessment
 - Advice of when claim will be considered
 - Explanation of requirements for rollovers, disablement claims, 2008 insurance changes, financial hardship Centrelink verification, etc.
- Fixes made to the aaspire system
- Staff training improvements

2011

Common causes include:

The main categories (reduction on account of earnings, processing delays, mistakes) are largely similar to previous years, although there was a marked decrease in complaints about reduction on account of earnings: 7 in 2011, compared with 14 in 2010 and 26 in 2009. This improvement was reflected by the better Fund financial performance in line with financial markets in the financial year 2010/11.

Another reason for the lower number of complaints in 2011 was the transition to "aaspire" system where teething problems with the systems migration experienced in early 2010 had resulted in a number of complaints for that year.

Complaint remedy:

The majority of complaints result from misunderstandings on the member's part as to such matters as identification requirements, the possibility of negative earnings and the level of information required for death and disablement benefit determinations.

Much of the remedial work consisted of providing an adequate explanation in the response to the member.

Several complaints resulted from human error on the part of the Administrator, but the sources of these were diverse and no trends were identified relating to any one or more areas of operation.

Longer term fixes include adjustments to the aaspire system, staff training to address the errors and process improvements such as introducing an extra level of exception reporting an additional layer of checking.

2012

Common causes include:

There was a rise in the number of complaints relating to administrative mistakes – 11 compared with 7 the previous year. There was no common theme to these complaints, with the subject matter ranging across a number of different areas. In general, mistakes relate to human error, involving double processing or failure to carry out a process, programming error, incorrect data input and similar matters.

The emergence of a new category of complaint, customer service, was closely monitored, although the four complaints received did not follow any particular trend.

Complaints about reduction on account of earnings continue to decrease: 2 in 2012, compared with 5 in 2011, 14 in 2010 and 26 in 2009. This is despite the low investment returns achieved in the financial year 2011/12 and could reflect a greater awareness on members' part of the possibility of low or negative returns following the GFC.

Several complaints resulted from human error on the part of the Administrator, but the sources of these were diverse and no trends were identified relating to any one or more areas of operation. However, the increase in number of these complaints over the previous year resulted in closer monitoring of this type of complaint.

Complaint remedy:

The majority of complaints result from misunderstandings on the member's part as to such matters as identification requirements, the possibility of negative earnings and the level of information required for death and disablement benefit determinations. A number of insurance-related complaints relate to the members' unawareness of their insurance cover because they had not read the Fund's correspondence relating to insurance.

Much of the remedial work consists of providing an adequate explanation in the response to the member.

2013

Common causes include:

The majority of administration complaints in 2013 relate to delays (perceived and actual) of the processing of rollovers, payments and the assessment of Death and TPD claims. One of the reasons for an increase in this area was legal representation, including prior to determination being made or objecting to the Trustee decision, particularly in the TPD area. There are no particular changes, aside from continuing to focus on educating members which the Fund can make to its processes to mitigate this increase.

The other areas where we have seen an increase in complaints is the application of fund rules and general insurance issues. There are two emerging trends in this area; one being the increased number of complaints relating to the 'default' set-up arrangements (particularly default insurance cover) and two, the number of complaints received about standard business rules that were perceived to be impeding a member's request, e.g. rollover to SMSF, portability, choice of fund rules.

Complaint remedy:

The majority of complaints result from misunderstandings or the member's unawareness of their insurance cover because they had not read the Fund's correspondence relating to insurance, or members understanding matters such as identification requirements and the level of information required for death and disablement benefit determinations.

Much of the remedial work consists of providing an adequate explanation in the response to the member.

In relation to complaints relating to processing delays, the Fund's Operations team continued work with the Fund's key service providers to increase members' understanding of the issues involved and to streamline the process wherever feasible to reduce overall case management time.

Important initiatives in this area included:

New Fund 'Fact Sheets' covering the key steps involved in claiming TPD and Death benefits – this is designed to explain the process to members in the initial phase so they understand the requirements and know that the Fund can assist them in the process.

CommInsure - Increased service level reporting - As part of the new Prudential Standards the Fund was required to put an Insurance Management Framework (IMF) in place by 1 July 2013. A key part of this IMF was to agree service levels with our Insurer. These service levels were agreed and formalised through an Insurance Service Agreement (ISA) and the Fund receives monthly reports covering crucial service areas such as underwriting, claims assessment and 'ageing' of the oldest cases. The Fund meets with CommInsure monthly to track performance and discuss any older

or ‘problem’ cases. This reporting is provided to the Operations & Remuneration and Claims Committees.

AAS – New workflow system – During 2013 AAS rolled out a new workflow planning system that has moved some of their key insurance tasks onto an electronic system (away from paper files). This will benefit the Fund by ensuring the various tasks move quickly between relevant team members and the overall cycle time for cases can be more readily managed. This change had a positive impact on overall cycle time.

2014

Common causes include:

The majority of administration complaints in 2014 relate to delays (perceived and actual) of the processing of rollovers, payments, the assessment of Death and TPD claims and complaints about Fund business rules, e.g. procedures for transfers to SMSFs and default account set-up rules.

One of the main reasons for an increase in complaints relating to the assessment of Death and TPD claims is the increased experience of legal representatives being involved in the early stages of claims cases, particularly in the TPD area.

The other areas where we have seen a number of complaints is the application of fund rules and general insurance issues. There are two main areas; one being complaints relating to the ‘default’ set-up arrangements (particularly default insurance cover) and two, complaints received about standard business rules that have been perceived to be impeding a member’s request, e.g. rollover to SMSF, portability, choice of fund rules.

Complaint remedy:

As in prior years the majority of complaints resulted from misunderstandings or the members’ unawareness of their insurance cover impact because they had not read the Fund’s correspondence relating to insurance and members’ understanding of matters such as identification requirements and the level of information required for death and disablement benefit determinations.

Much of the remedial work consists of providing an adequate explanation in the response to the member.

One example of change implemented in 2014 was a change to the SMSF transfer rules which subsequently resulted in a change to the Fund’s business rules in this area. This change simplified the transfer request process for.

2015

Common causes include:

The majority of administration complaints in 2015 again related to delays (perceived and actual) of the processing of rollovers, payments, the assessment of Death and TPD claims and complaints about Fund business rules, e.g. default account set-up rules.

One of the main reasons for an increase in complaints relating to the assessment of Death and TPD claims is the increased experience of lawyers and solicitors being involved in the early stages of claims cases, particularly in the TPD area.

The other area where we have seen a number of complaints is the application of fund rules and general insurance issues. These mainly related to the 'default' set-up arrangements (particularly default insurance cover).

Complaint remedy:

As in previous years the majority of complaints result from misunderstandings or the members' unawareness of their insurance cover because they had not read the Fund's correspondence relating to insurance and members' understanding of matters such as default account rules and the level of information required for death and disablement benefit determinations.

Much of the remedial work again consisted of providing an adequate explanation in the response to the member.

2016

Common causes include:

The majority of administration complaints in 2016 again relate to delays (perceived and actual) of the processing of TPD claims and refunding insurance premiums.

One of the main reasons for an increase in complaints relating to the assessment of TPD claims is the increased involvement of lawyers in many claims cases.

The other area where we have seen a number of complaints is the application of fund rules and general insurance issues. These mainly relate to the 'default' set-up arrangements (particularly default insurance cover). In many cases the member did not want insurance cover but had no opportunity to advise the fund due to contributions being remitted many months after the member had commenced employment.

Complaint remedy:

As in previous years the majority of complaints result from misunderstandings or the members' unawareness of their insurance cover because they had not read the Fund's correspondence relating to insurance and members' understanding of matters such as default account rules and the level of information required for death and disablement benefit determinations.

Much of the remedial work consists of providing an adequate explanation in the response to the member.

Continuing to focus on educating our members, the Fund can make to its processes to mitigate this increase.

In relation to complaints relating to processing delays, the Fund's Operations team has continued work with the Fund's key service providers to increase members' understanding of the issues involved and to streamline the process wherever feasible to reduce overall case management time.

In early 2016 the Fund held training with both CI and AAS to identify processing areas that could be streamlined. Areas identified and addressed included AAS making better use of the CommInsure portal to clearly communicate status of cases with members, using email to liaise with members where follow up information is required and to confirm receipt of information.

2017

The number of administration complaints received in 2017 was almost half of the number received in 2016. There were no major trends detected in 2017.

Other Improvements

- New insurance arrangements scheduled for implementation in October 2018 will allow members to opt out of basic cover within 120 days of joining the fund with a refund of all insurance premiums deducted from the start of cover.
- October 2012 – transitioned to desktop and mobile public websites
- December 2016 – transitioned to a single 'fully responsive design' public website, using Google Analytics to monitor and revise content.
- Promote web-site usage – on-going

APPENDIX B

Payments made by the trustee

The following is a list of payments made by the trustee over the 10 year period in resolving complaints.

12/08/2013 \$3,042.39

The member provided an incorrect bank number on a request for a withdrawal. The incorrect bank account number was the valid account number of another bank customer and the withdrawal was deposited into the incorrect bank account. The withdrawal, plus earnings was repaid to the member.

7/02/2014 \$833.15

Following a complaint to the SCT and during the reconciliation process it was agreed to settle this matter by paying the complainant an amount representing death cover premiums since November 2013 and TPD premiums since the upgrade in April 2008.

17/04/2014 \$159.60

Member had lodged a complaint with the SCT regarding the establishment of a second account and the associated fees and charges. During a Conciliation Conference with the SCT it was agreed to settle this matter by providing a refund of fees and insurance charges. The Complaint was then withdrawn.

13/05/2014 \$50,000.00

This relates to an action taken in the Supreme Court of NSW and Australian Human Rights Commission, already referred to.

31/10/2014 \$1,096.12

The amount represents a refund of insurance premiums charged as a result of the fund automatically setting up insurance and deducting premiums, which was not the member's intention.

3/02/2015 \$18,809.08

The members had contacted the Fund to organise for Revisionary Beneficiaries to be added to their accounts. The change required the accounts to be moved from a Beneficiaries Nomination to a Revisionary Beneficiary, the members did not understand the mechanics of this process which required the old pension accounts to be closed. The impact of this was magnified by the volatility in the share markets resulting in negative earnings being applied. Following consideration of this matter it was determined this was an unfair outworking of a simple change to the accounts and that the new accounts should be restored to the position they would have been in had the change not been made.

8/04/2015 \$424.60 A member had insurance cover automatically reinstated when Superannuation Guarantee contributions recommenced into his TWUSUPER account. The member did not want/need insurance cover with the Fund. The member claimed not to have received any correspondence that the insurance cover had been reinstated. If this matter became a complaint and went to the SCT, it is likely that they would have an unfavourable view on the lack of confirmation provided to the member when his insurance recommenced after some 12 years. A refund of insurance premiums credited to the member's account.

17/06/2016 \$ 397.83
A payment was made as compensation for a claim of Section 290 deductions on member contributions. The member received an incorrect disclosure of contribution which was complicated as the member had lodged his 2015 tax return. The payment was made directly to the member to compensate for a lower tax refund.

20/06/2017 \$ 2,368.00
The member held active insurance when he passed away, the spouse applied for an immediate part payment of \$3,000 and was approved. When the insured benefit was assessed by the insurer the cover was declined on the basis of eligibility. The account balance to be distributed was approximately \$600 and was insufficient to cover the reimbursement to the mortality account, from which the original payment was made. No action was taken to recoup this amount

10/07/2017 \$ 752.18
A reimbursement for lost earnings as a result of a delay in the time taken by the Administrator between drawing a cheque and forwarding it to the member concerned.

3/02/2015 \$ 4,215.00
amount represents the value of the TPD benefit that would be paid to the member if TPD had been approved. As the member was over 65 he was required to meet the limited TPD definitions available. Medical reports indicated that the member was capable of some of the requirements, two further medical reports were provided which also failed to meet the definition and the claim was declined by the insurer. As the member has a degenerative disease which will worsen over time and to alleviate potential reputational damage through a claim to the SCT it was decided to pay an ex-gratia payment.

3/09/2015 \$ 600.00
The amount represents, a settlement following an SCT Conciliation Conference, of insurance premiums charged as a result of the Fund automatically setting up insurance and deducting premiums.

30/11/2015 \$124.00

The amount represents, a settlement following an SCT Conciliation Conference, of insurance premiums charged as a result of the Fund automatically setting up insurance and deducting premiums.

31/10/2016 \$ 50.00

Refund of member's exit fee following a rollover to another fund, after the member complained he was forced to join TWUSUPER.

29/11/2016 \$616.10

Following an SCT Conciliation Conference, a refund of administration and exit fees were offered to the member as a commercial settlement of the SCT.

All the above payments were made from the Fund's either Strategic Risk Reserve or Operational Risk Financial Requirement (ORFR) as these are regulatory requirements.

These payments and their circumstances do not either individually or in aggregate amount to misconduct on the part of the trustee nor does the trustee consider these instances falls below community standards and expectations.