

Cbus superannuation court case: experts' advice for members

By ANTHONY KEANE

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103 Comments

Australia's 16 million-plus superannuation fund members are being urged not to panic but to take a closer look at their fund following ASIC's decision to sue Cbus Super for late and mishandled insurance payouts.

Super specialists say while the corporate regulator's court case could see Cbus facing fines up to \$49m that could come out of fund members' returns, the size of the fund meant the impact on individuals would not be large.

A knee-jerk reaction or switching to another super fund might be counter-productive, they warn.

All industry funds are under the spotlight after ASIC deputy chair Sarah Court this week said it appeared that the sector's delays in awarding insurance payouts was broader than Cbus alone, and added that ASIC was "doing a deep-dive surveillance".

Cbus has allegedly mishandled and delayed payments to disabled people and families of deceased members between late 2022 and this month.

Marinis Financial Group managing director Theo Marinis said rule number one for Cbus members was "don't panic".

"At the end of the day, the regulator is there to look at them," he said.

"It could be a good time to stay with Cbus because I imagine they're going to have to clean up their act.

“Most industry funds have issues, and you could be moving out of the frying pan and into the fire.”

Industry super funds comprise 13.9m of Australia’s total 24.4m superannuation funds.

Fund members should realise that they were not going to lose their money, Mr Marinis said.

“You might pay more in fees because they have to pay a penalty, but there are prudential rules to protect you,” he said.

However, now was a good time to check your super strategy “and see through the advertising claims of industry super versus the reality”, Mr Marinis said.

He noted that industry super funds escaped criticism during the financial services royal commission that came down hard on banks and financial advisers, yet advisers were “constantly” dealing with delays around withdrawals and payouts.

“They brag about low admin costs but that’s because their admin is substandard.”

Mr Marinis said while Cbus members could be forced to pay for any ASIC penalties, “they have about one million members, so even if they pay \$50m it’s \$50 per person”.

“Put it in context, don’t panic, but it’s an opportunity to review the fund you’re in,” he said.

JBS Financial Strategists CEO Jenny Brown said delays with industry super funds could be a “nightmare” but she said members should not make knee-jerk reactions amid the Cbus case.

“I think Cbus are going to be rapped over the knuckles severely, and there will be a flow-on effect for all industry funds,” she said.

“Nobody likes being rapped over the knuckles and they will lift their game across the board.”

Ms Brown said any ASIC fine would impact Cbus returns, but members might not notice it because some industry funds practised “smoothing” of returns, which is holding some back in good years to prop up returns in poor years.

Tribeca Financial CEO Ryan Watson said people should avoid knee-jerk reactions but should weigh up the positives and negatives of being with a super fund that appeared to have let down its members badly.

“They should be extremely disappointed and angry at the actions of CBUS, who say they put their members first but their actions indicate the complete opposite,” he said.

“Anyone claiming on a personal risk insurance policy is under a significant degree of distress.

Therefore, the delay – especially for an extended period – in paying an insurance claim only further exasperates a vulnerable situation.”

Mr Watson said 14 years at Tribeca had shown him that slow super withdrawals and insurance payouts were not unusual.

“We have seen a propensity for insurance claims to be delayed if they are not followed up and driven to completion in a rigorous manner,” he said.

“Dare I say it, the squeaky wheel gets the oil.

“Unfortunately, the speed at which a superannuation fund processes a withdrawal and/or insurance claim has everything to do with how vigorously each are followed up by either a client or financial adviser.”

Cbus has been a major donor to the Labor Party and its chairman is former Labor federal treasurer Wayne Swan.

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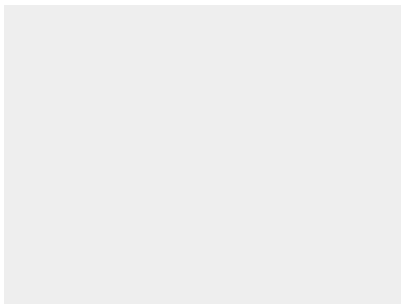
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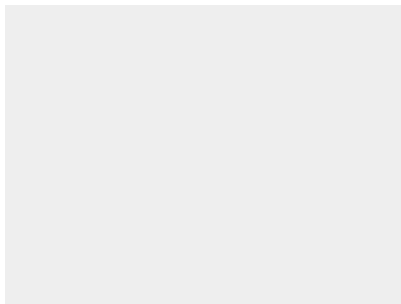
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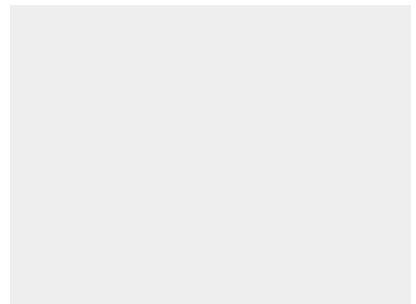
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