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Consumer interests best served by existing industrial-based default super system: AIST responds to Productivity Commission

The Australian Institute of Superannuation Trustees (AIST) today reiterated its support for an industrial-based default fund selection process, noting this model had a strong track record of protecting consumer interests and delivering superior returns.

Commenting on the release of the Productivity Commission report into efficiency and competition in Australia's superannuation system, **AIST CEO Eva Scheerlinck** welcomed the report's acknowledgement that net returns mattered most for members' retirement outcomes and that not-for-profit default funds had generally outperformed over the long term.

However, Ms Scheerlinck questioned the report's call for a new default selection system.

"While the report acknowledges the superior performance of most default not-for-profit funds it then inexplicably recommends dismantling the very system that has delivered these results."

Ms Scheerlinck said while there was always room for improvement with any system, there was no justification to create an entirely new default selection body. The existing Fair Work Commission process – with the appropriate judicial and legislative framework already in place – could easily be enhanced with a merit-based filter to remove the default status of any long-term underperforming funds, she said.

Noting that the report had made clear that retail Choice funds underperformed and were more expensive, Ms Scheerlinck questioned why the Commission had failed to tackle these problems.

"The Commission's brief was to look at the efficiency of the super system, yet it has not addressed the glaring inefficiencies of the retail Choice sector where more retirement savings are invested."

Ms Scheerlinck said AIST was also concerned with the untested concept of a 'one default fund for life,' noting that the problem it was trying to fix – that of account proliferation – was being addressed by new payroll systems and the recent Budget measures.

"Job starters are furthest from retirement, and typically have the least interest and knowledge about superannuation or other financial

matters relating to retirement,” Ms Scheerlinck said. “Young people are vulnerable, once recruited into a fund, to be induced to shift from a quality default fund to a sub-optimal Choice fund.”

AIST will be consulting with its member funds on all of the recommendations in the report and making a submission.

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