

Thursday, 10 January 2019

Productivity Commission gets it right on profit-to-member outperformance but misses mark on dealing with underperforming funds

The **Australian Institute of Superannuation Trustees (AIST)** has today welcomed the Productivity Commission finding hard evidence - for the third time in a year - that the best performing super funds are in the profit-to-member sector. Today's report from the Productivity Commission, which includes an additional year of data, found that on average, for the 11 years to 2018, profit to member funds outperformed retail funds by around 2 per cent per year.

AIST CEO Eva Scheerlinck said the Commission was to be congratulated for its exhaustive analysis of fund performance and for putting the spotlight on the need to deal with poorly performing super funds across the system, the clear majority of which are retail funds in the Choice sector.

"We agree with the Commission that there is no place for underperforming funds in the default system, however their proposal for a top ten default list is a blunt mechanism that will be needlessly disruptive and fails to address the more serious problem of underperformance in the wider super system."

"According to the Commission, a quarter of default funds underperform but this proposal would deny 90% of funds default status – it will remove many high-quality funds from the default system which may also disadvantage members in these funds," Ms Scheerlinck said. "Meanwhile, millions of Australians will be left to languish in poorly-performing bank and insurance owned funds that are outside the default system."

Ms Scheerlinck said that the Fair Work Commission was the most appropriate, independent body to filter out under-performing default funds on a merit basis and that it should be allowed to get on with the job.

"In a compulsory super system, consumers must be confident and be able to trust that there is a robust default fund selection system in place," Ms Scheerlinck said. "AIST supports an industrially-based selection process that recognises the link between superannuation and wages and is appropriately independent."

AIST also expressed concern that taking default superannuation away from the Fair Work Commission would remove employees' capacity to directly act to protect their super and access court-ordered remedies, including for lost insurance benefits.

Eva Scheerlinck, AIST CEO, available for interviews by phone.

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AIST is the peak body for the \$1.3 trillion profit-to-member superannuation sector which includes industry, corporate and public-sector funds.