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New MySuper data highlights need for independent default fund selection

New MySuper data released today highlights the need for an independent body to select default funds from the MySuper pool, **the Australian Institute of Superannuation Trustees (AIST) said today.**

AIST executive manager of policy, David Haynes, said the data from the Australian Prudential Authority Regulation (APRA) pointed to a wide variation of fees, target returns, product type and costs across MySuper, raising concerns that not all MySuper products may be suitable as default funds.

“This data confirms that employers will need help in making the right choice about their default super provider,” said Mr Haynes. “We already know that there are key differences in the services that MySuper products provide and the APRA data shows there are also significant variations in fees and costs.”

The APRA data shows that among the 116 MySuper products, annual member fees and costs (for a balance of \$50,000) range from \$265 to more than \$1,300.

“While generally speaking the fees in the MySuper space are lower than elsewhere, it is also clear there are some high-cost products.”

The APRA data also confirms that of the \$359 billion of savings in MySuper products, the lion’s share of this money is invested in good value, high performing not-for-profit funds. By contrast, just \$13 billion of savings in bank-owned and other retail funds has been transferred to the MySuper space. Meanwhile, \$77 billion dollars of default superannuation lies outside the MySuper environment because of grandfathering arrangements.

Mr Haynes said AIST was calling on the Government to accelerate the release of non-MySuper default savings – mostly in bank-owned super funds – into MySuper products.

“A savings pool of \$77 billion is a very large part of the super system that is effectively locked out of the benefits of the - generally low fee - MySuper environment. This is not only discriminatory; it is not in members’ best interests.”

Noting that the Financial System Inquiry (FSI) has raised concerns about fee levels in superannuation, AIST wants to bring forward the final transition date of 30 June 2017, at which all default super savings must be moved to a MySuper product.

AIST will also be calling on APRA to disclose the fees charged on the accrued default accounts.

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AIST is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds.