

AIST welcomes FSI focus on removing politics from super and giving MySuper a fair go

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The Australian Institute of Superannuation Trustees (AIST) today welcomed the release of the Financial System Inquiry report, which recognises the need to ensure the super system is working effectively and efficiently and delivering positive retirement outcomes for members.

AIST CEO Tom Garcia said the Inquiry had recommended a package of reforms for superannuation, which – if adopted by the Government – could have far-reaching impacts for generations to come, particularly in the post-retirement space.

Mr Garcia said the key recommendation to enshrine in legislation clear objectives for superannuation was very welcome and would hopefully remove the politics from super and lead to more stable policy settings.

“This is a much-needed reform to protect the super savings pot – now worth \$1.8 trillion – from endless Government tinkering and provide certainty for people trying to plan for their retirement,” Mr Garcia said. “We should not underestimate the profoundly stabilising effect this would provide.”

AIST also welcomed the Inquiry’s acknowledgement of the importance of the default fund selection process and its recommendation that MySuper should be given the opportunity to deliver improved outcomes for default members before any further reforms be considered.

“The industry has invested a lot of time and expense in implementing the MySuper and other Stronger Super reforms. We congratulate the FSI on recognising that these reforms must be given time to be implemented properly before they can be effectively assessed, particularly in regards to fee reductions.”

Mr Garcia said the Inquiry’s focus on the need for trustees to consider the most appropriate retirement income product combination was also welcome.

“Ensuring members have a default retirement income solution with an effective opt-out is certainly the direction we should be heading.”

However, Mr Garcia said AIST did not support the FSI’s recommendation to mandate a majority of independents on super fund boards, and noted that the FSI did not meet the challenge of finding a robust and universal definition of independence.

AIST notes that the Australian super system is recognised internationally as being among the best governed in the world.

“There is no evidence to suggest that forcing structural change to the boards of not-for-profit funds would deliver better outcomes to members. These funds already significantly outperform with all but two of the top 50 funds over the last decade adopting the equal representation system of governance.”

Mr Garcia said AIST supported funds having flexibility around the appointment of independent directors rather than a fixed quota system, which ran counter to international best practice.

Mr Garcia welcomed the Inquiry's acknowledgement of the need for the upcoming Tax Inquiry to examine the superannuation tax arrangements to ensure they are fair and sustainable, adding the move to ban recourse borrowing was sensible.

"A major benefit of super for the Australian financial system is that it is not leveraged and is not significantly exposed to residential property, which households, banks and insurers are to a very high degree".

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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.