

Wednesday 29 March, 2017

## Productivity Commission fails to provide evidence that changing default fund system will benefit members

Proposed changes to the selection of default superannuation funds have the potential to put millions of working Australians at risk of poorer retirement outcomes, **The Australian Institute of Superannuation Trustees (AIST)** has warned.

Commenting on proposals released today by the Productivity Commission, **AIST CEO Eva Scheerlinck** said the Commission had failed to produce evidence that changing the existing workplace-based default fund selection process – currently overseen by the Fair Work Commission – would improve retirement outcomes for members.

Ms Scheerlinck said the evidence showed that the existing default fund selection process had delivered long term outperformance for Australian workers and yet this system was not seriously considered by the Productivity Commission.

“The Productivity Commission calls for a quality filter to determine default fund status but a quality filter – that provides a high level of consumer protection for members – already exists in legislation through the Fair Work Commission process,” Ms Scheerlinck said. “To propose complicated new default systems – that include setting up another government body – without even bothering to review the existing system is not only ludicrous, it is also inefficient.”

AIST was also concerned that the un-tested concept of ‘one default fund for life’ could reduce existing consumer protections and leave fund members – particularly young job starters – vulnerable to predatory marketing behaviour of profit-driven retail funds that have a poor record of performance.

Ms Scheerlinck urged the Productivity Commission to consider the existing default fund selection process which was set up to filter out long-term underperforming funds.

“AIST supports a system that ensures only the best performing funds are defaults,” Ms Scheerlinck said. “To change the existing default system without strong supporting evidence poses a significant risk to the retirement outcomes of working Australians.”

Ms Scheerlinck said AIST shared the Commission’s concerns about multiple super accounts, but pointed to a range of initiatives currently underway that were addressing this issue.

“There are a raft of Government-supported initiatives underway to consolidate super accounts. SuperStream has already delivered positive results and the introduction of new technology through the planned rollout of Single Touch Payroll is set to make a significant difference.”

### Further enquiries:

**AIST Executive Manager, Corporate Communications & Media, Janet de Silva: 0448 000 499**

**AIST Executive Manager, Policy and Research David Haynes on 0429 029 230**

***AIST is the peak industry body for the \$700 billion profit-to-member super sector which includes industry, corporate and public sector funds.***