

No place for long-term under-performers as default super funds: AIST

The Australian Institute of Superannuation Trustees has proposed that long-term under-performing default funds be replaced by better performing funds in its appearance before the Productivity Commission this week.

Appearing at the Sydney public hearing into alternative models for default fund selection, **AIST CEO Eva Scheerlinck** agreed that long-term under-performers should lose their default status but called for better regulation to help consumers compare super fund net performance across both the default and Choice sectors.

AIST has backed the publication of a net benefit league table of super fund offerings by Australian Prudential Regulation Authority (APRA) across both sectors.

“Default members might want to leave a default option at some stage, and both members and employers might reasonably want to understand and compare their selection/default against the wider superannuation market,” Ms Scheerlinck said.

Ms Scheerlinck also said that the benefits of industry-specific default funds needed to be recognised.

“One of the very positive aspects of the current default system is that many employees are connected with default superannuation arrangements that are most appropriate to them,” Ms Scheerlinck said. “Such a system recognises that different industries have different demographics that may require a different investment management style, different services, such as intra-fund advice, and different insurance offerings.”

[AIST’s submission on the Commission’s draft report on Alternate Default Models](#) strongly supports an industrial-based legislative framework for the selection of default funds, noting that the top performing retirement income systems in the world are industrially-based. The AIST submission also acknowledges the importance of a quality filter and a multi-criteria selection process.

“AIST strongly supports the Commission’s view that a quality filter is needed to short-list default funds and that the filter should be higher than the MySuper requirements,” Ms Scheerlinck said. “But we also note that these measures already exist in the current Fair Work Commission default fund selection process which must be given fair consideration in the review process.”

Other key recommendations in [AIST’s submission](#) include:

- Support for an independent government body in the selection process
- The need for greater recognition of the role of SuperStream and Single Touch Payroll to tackle account proliferation
- The insurance offering needs to be a core consideration of default fund selection
- Disclosure must be improved to allow better comparability
- Support for greater transparency on mergers

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