

Current default system protects workers' capital

By Eva Scheerlinck (<https://investmentmagazine.com.au/author/eva-scheerlinck/>) | 09/05/2017



OPINION | The current debate over default fund selection has highlighted one of the strong points of difference for profit-to-member funds in the superannuation sector.

The focus of those pushing to change the existing default system is on removing super from the industrial relations process; however, the Australian Institute of Superannuation Trustees is of the firm belief that enshrining super in industrial awards has brought enormous benefits to members.



This includes protecting consumers who have limited financial literacy.

Underlying AIST's position is the deeply held view that superannuation is much more than a financial product; it is social policy.

As pointed out in the new book *Workers' Capital* by Bernard Mees and Cathy Brigden, the move towards superannuation as a workplace entitlement for all represented considerable social change.

Workers' Capital – a collaboration between AIST and Melbourne's RMIT University, supported by IFM Investors – is a history that outlines the extent to which collective trade union action was pivotal in the development of a universal retirement savings system.

The battle for a fair go

Prior to the 1980s, super was a privilege granted only to company head-office staff and career public servants. It was unions that recognised the need for a system that could provide ordinary Australian workers with security and dignity in retirement.

The battle for a fair and universal retirement savings system led to many important reforms. This included measures such as portability and vesting, the absence of which had previously disadvantaged many members – most notably women and the lower paid.

The phenomenal growth of industry super funds also brought with it social reforms and innovations.

A hugely successful campaign forced: a windback in sales commissions and conflicted advice; improved reporting and measurement of super fund returns; leadership in infrastructure investment; and an increasing focus on the environmental, social and governance practices of corporate Australia.

Industrial law-based retirement income systems are not unique to Australia. But as *Workers' Capital* concludes, it is hard to point to a comparable retirement savings system in the world where trade unions in the spirit of social equity – have developed, reformed and managed such a successful system.

But change did not come easily.

Many of the union officials who led the fight for universal super weren't seen as heroes of the day or visionaries, rather they were viewed by some as rebel rousers and a threat to business and the wider economy.

The Coalition was particularly hostile to the idea of super for all. In 1979, then-federal treasurer John Howard claimed that national superannuation would be an unreasonable impost on employers and would limit freedom of choice in retirement planning.

Today's fight

The industry fund movement and other profit-to-member funds are now caught up in another battle. But rather than fight for change, as our pioneering forebears did, this time the profit-to-member sector wants ensure that the existing industrial law based default model is recognised for the benefits it brings.

While we are open to a review of the way default funds are selected, we object to a process that fails to consider the existing system properly and seeks to replace it without an evidence-based reason.

The existing default model not only has a good track record, it ticks all the boxes that the Productivity Commission itself has highlighted as critical to an efficient default system – an independent body (the Fa Work Commission), a quality filter and an expert panel.

The default fund system is an important piece of social policy. It's not there simply to make profits for shareholders. The current system provides a high level of consumer protection and serves the interests of all Australian workers. We are determined to preserve and protect it.

Eva Scheerlinck is the chief executive of the Australian Institute of Superannuation Trustees. This article first appeared in the May print edition of Investment Magazine. To subscribe and have the magazine delivered [CLICK HERE](http://store.conexusfinancial.com/p/7991547/investment-magazine.html) (<http://store.conexusfinancial.com/p/7991547/investment-magazine.html>). To sign-up for our free regular email newsletters [CLICK HERE](http://investmentmagazine.com.au/im-subscribe/) (<http://investmentmagazine.com.au/im-subscribe/>).



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