

ACTU Submission to the Productivity Commission on Superannuation Stage 1

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INTRODUCTION

The ACTU has been an important and influential participant in the development of the occupational superannuation framework which is the cornerstone of Australia's current superannuation framework. The ACTU through the Accord processes 30 years ago developed and played a major role in bringing about a framework to provide for occupational superannuation. In support of the ACTU's public policy goals, the ACTU has maintained support for the superannuation system as it has evolved over the past 30 years.

The ACTU and its affiliates remain active participants in the system. The ACTU and its affiliates have shared carriage of the maintenance of the award system upon which occupational superannuation still substantially relies. The ACTU and its affiliates also jointly sponsor, on a not for profit basis, a significant number of industry superannuation funds including some of the largest all profits to members superannuation funds in the country. The ACTU and its affiliates nominate Trustee Directors to these funds.

BACKGROUND

The ACTU believes an appropriate starting point for a review into the organisational structure for the Australian superannuation system is an understanding of the structure of the existing system and an assessment of whether changing this structure is going to be of benefit to the various stakeholders of the system.

It should be recognised that the ACTU, together with the Federal Government, played a significant role in developing the original architecture of the system. To this end, we remain in a unique position to comment upon the rationale of the system and join with others in evaluating the efficiency and effectiveness of the system.

The ACTU therefore makes a number of comments below in relation to the philosophical background to the current system and why we believe that many of the issues which were relevant to the establishment of the system are still as relevant in current times.

Philosophical Background to the current system

By the 1980's, the debate on whether Australia should have a universal superannuation system reached a point where important philosophical questions were raised about the manner in which that system might operate. The type of issues relevant to this debate included the methodology to achieve universal access and the regulation of payment regimes to ensure contributions were treated as an obligation and not a client-customer relationship matter. The design of a system was seen as a means of best answering those questions.

The ACTU's summary of those issues in respect of it creating two key classes of stakeholders is as follows:-

1. Australia's workers simply had no universal superannuation system which meant there was no structure in place to allow for workers to accumulate sufficient savings so that they could enjoy a post-workforce life with a level of retirement income commensurate with the income they earned in their working life. Hence the first and most significant stakeholders were Australia's workers which needed to have a system to allow them to safely, adequately and appropriately accumulate additional savings to be used during their retirement.

2. Government was also a significant stakeholder in the development of a universal superannuation system. Increasingly Government was aware of looming changes in the demographic composition of the Australian population: that there would be an increasing proportion of Australian in post-retirement and consequently fewer Australians in the workforce and this increasing cohort of post-retirees. Without a system which accumulated retirement savings for them, these retirees would continue to be heavily reliant on the Age pension system, creating a looming fiscal dilemma. Hence Government, as a stakeholder, had an interest in ensuring an efficient system existed to optimise retirement savings outcomes.

The Award system as the appropriate foundation for the system

During the 1980's and 1990's, the Government elected to use the Award system as the foundation of the superannuation system. A number of factors influenced this decision – beyond the most elementary one of Unions seeking to bargain for an improved “condition of employment” for their members and hence there being a logical starting point for involving the industrial relations structures as part of the framework for a superannuation system.

Some of these factors which further influenced the Award system being a foundation element of the superannuation system included:-

1. There was no comprehensive structure within existing superannuation structures (which were largely operated through Mutual Life Companies) which was fit for purpose to be a universal superannuation structure. The “Funds” offered by Life Offices were simply sales mechanisms in which the providers were able to convince a small range of employers to provide schemes to benefit long-serving employees. They had failed to take up a cause for universal coverage, they invariably offered vesting scales in their system design which were mechanisms to funnel more of the employers’ available funds towards long-term employees and they increasingly had become involved in issues associated with poor arrears collection processes. Life Offices had also developed a ‘bundled’ approach to the systems which they operated – essentially offering insurance and administration through their subsidiary businesses in a manner to aid the business case of the Life Office, but essentially creating conflicts of interest in the manner in which these ancillary were provided.
2. The Award system was a practical means to overcome “the distribution problem” – how do you ensure there is a mechanism in which there is workforce-wide coverage and how do you do this without invoking the traditional selling structures which, by definition, had added a cost overlay to distribution.
3. Hence the Award system became a logical and appropriate distribution mechanism – and one which had a rational appeal to the stakeholders. The Award system gave birth to an industry fund sector – with each Award determining which industry fund was its appropriate method of distribution – and with each fund operating in essentially a compact with both the workforce and the Government : they would be all profits to members and with Award distribution underpinning their structure, they would be low cost vehicles. They were also vehicles which were fit for purpose for a system which needed universal coverage, an ability to deal with emerging issues like portability and preservation, and give certainty to an arrears process to sit alongside legal requirements to make contributions.
4. This gave rise to an initial benefit to stakeholders – low cost vehicles meant that accumulation accounts were not unduly gouged by fees and hence able to reach optimal levels of growth. This optimising of growth is the key feature to meet the stakeholders’ aspirations.

THE CURRENT POSITION

Whilst some thirty years has passed since this architecture was established, it has, by and large, remained the main fabric for superannuation coverage and is the manner in which the vast majority of default fund arrangements exist.

Some of the other developments which have impacted on the general system structure include the following:-

1. The existence of non-industry funds in the default arrangements in Awards, mainly due to those funds being in existence when Award superannuation commenced.
2. The entry into the market of superannuation funds promoted by commercial institutions (such as Banks and insurance companies) which are used by those who wish to choose a non-industry fund.
3. Self-Managed Superannuation Funds (SMSF's) but which mainly apply for high net wealth individuals or those already in the pension phase.
4. The advent of MySuper, ostensibly to allow for the development of a set of homogeneous funds into which Superannuation Guarantee (SG) contributions might be paid.

None of these latter developments are of such a magnitude that would prevent an orderly restoration of the original architecture should this be the most desirable outcome.

What is clear is that the development of a range of alternative arrangements, effectively as a form of competition to the industry fund structure, has done very little to improve the outcomes for workers. Industry statistics widely show consistent levels of underperformance in investment terms for these alternative products when compared to industry funds (somewhere in the order of 2%pa where measurement statistics are available, as referenced through the APRA Quarterly Statistics on Funds). Further there is no plausible evidence to support a case that alternative funds have operated at lower cost bases for administration and in other areas, like financial planning, alternative funds have been the source of well publicised cases of misappropriation.

THE OBJECTIVE OF SUPERANNUATION

Amongst the recommendations of the Financial Systems Inquiry (FSI) was a proposal that the Superannuation System should have an Objective, which would presumably assist in providing a narrative to policy development as the system matured.

The Department of Treasury has recently conducted an Inquiry into the Objective and the ACTU made a submission to that Inquiry. In that submission, the ACTU proposed that the Objective of superannuation be the following:-

- **Superannuation, together with an adequate Aged pension, should provide for an Australian worker to maintain his or her standard of living when he or she retires from the paid workforce or reaches the national retirement age.**

The ACTU further identified six areas where policy debate needs to be advanced to facilitate the Objective. These areas were the following:-

- Adequate funding of the superannuation system as part of the worker's remuneration during their time in the paid workforce or equivalent service in the unpaid workforce.
- The designation of appropriate funds into which occupational superannuation contributions should be paid and from which retirement income is to be drawn, subject to those funds meeting appropriate standards in their governance, efficiency and performance.
- Encouragement of a reasonable level of voluntary contributions to support the primary objective.
- Fair and progressive tax treatment.
- Interaction with the Aged Pension system to form a complementary approach to meeting the primary objective.
- Investment of funds on a long-term risk adjusted basis in which the dual objectives of investing in the members' best interests and investing in the national interest are able to be addressed in as complementary a manner as is possible.

The ACTU believes that the development of public policy in these areas is the necessary structure for achieving the proposed Objective.

The ACTU's view is that any approach to reviewing the appropriateness of the funds which form part of the structure of the superannuation system should be developed in accordance with these principles. Specifically we believe any measures developed to look at the efficiency and (the need for) competitiveness should have regard to how these measures are developed as part of public policy.

THE NEED FOR COMPETITIVENESS

The ACTU notes that the Scope of the Study to be undertaken by the Productivity Commission is prescribed as "(the) development of criteria to assess the efficiency and competitiveness of (the) super system".

Whilst the terms of reference go on to talk about competitiveness and efficiency as an inseparable concept, the ACTU believes the issues of competitiveness and efficiency should be dealt with as separate issues. It is the ACTU's contention that it should not be automatically assumed that competitiveness is a part of efficiency in this sector and that if competitiveness is to be examined it should be examined as an issue in its own right with efficiency issues within the system to be examined separately.

Superannuation, under the Objective the ACTU proposes, should be seen as the provision of a national right. Arising from this proposal, is the ACTU's believes we need to consider whether the provision of a national right should be delivered in a competitive environment. Most national rights, particularly those in the realm of Social Welfare are not delivered through competitive processes. Indeed, in recent times, there have been significant failures in attempts to operate national rights in competitive models (the attempts to privatise technical education being a notable example). The ACTU believes that a system of measures should be examined to allow a

judgement to be formed as to whether a right such as superannuation should be delivered through a structured and regulated process as opposed to a competitive one.

The ACTU makes the following comments in respect of this issue:-

- Increasingly superannuation, in the form of retirement income, and its interaction with the Aged Pension will determine the ability for older Australians to maintain their standard of living in retirement: this right to expect an adequate standard of living is one which needs to be managed in the same sense as other rights citizens have.
- In this case the right needs to be treated in a manner where a level of protection is developed which gives as much certainty to the superannuation income being provided as the pension payment has.
- Putting the system into a competitive context challenges the nature of the superannuation being a right: it opens superannuation to a different level of market forces. The ACTU sees the provision of superannuation in a much more holistic sense – with the accumulation arising within a relatively tightly controlled environment, so there is more certainty to the accumulation amount which arises at retirement than might occur if it were subject to more risky, market-oriented forces including from the entry of individuals and corporations whose primary motivation is their own interest, not that of the key stakeholders.

The ACTU believes the Productivity Commission should consider the issue of competitiveness, initially using the following parameters:-

1. Is there a reasonable case to consider as to whether the opening up of the current architecture of the system to widespread competition will endanger the right of Australians to the maintenance of their living standard in retirement (and cause future Australian Governments to carry an unnecessary financial burden in the amount of funding needed to sustain Age Pension commitments beyond what would be needed if the superannuation system achieved its optimal outcome)
2. Do changes to the default system allow for the entry of unregulated operators who:-
 - Do not operate in a system where the best interests of the fund member is the sole test for an ability to operate;
 - Do not provide for comprehensive coverage so that all participants in the Australian workforce have equal access to occupational superannuation fund arrangements;
 - Operate funds in a manner which may have a higher risk profile than the current operating model or have a risk profile which significantly underperforms the current operating model;
 - Have bundled arrangements, particularly in relation to insurance and investment, which may lead to conflicts of interest which may not be in the best interest of the members of that fund;
 - Do not have adequate and robust arrears collection systems;
 - Do not act efficiently to consolidate member accounts in appropriate vehicles when members become inactive.

It is the ACTU's view that it should be the role of the Productivity Commission to collect the appropriate information in respect of these matters and any appropriately related issues, but not to determine a view on an issue of this nature. The ACTU's view is that an assessment on what is essentially a rights issue is appropriately one to be taken by legislators and not by economists.

ASSESSING COMPETIVENESS

In relation to the specific matters the Productivity has raised in relation to assessing competition in the Superannuation System, the ACTU makes the following points:-

1. In respect of the vertical supply chain identified by the Commission, The ACTU believes the most relevant participants are the stakeholders we have identified being the member participants in the system and the nation's taxpayers, represented through the national Government. A range of participants within the supply chain will seek to exert market pressure and the more competitive the system is made, the more influence participants will seek to exert. In an area where there should be almost no tolerance for market failure, the exertion of market pressure is essentially an oxymoron – it will establish a higher propensity towards market failure.
2. A corollary of this is that there is ample evidence of competition other than on price occurring within the superannuation/financial services sector. This can occur at multiple levels of the supply chain – from members and employers being attracted to (perceived) deals on the provision of other financial products or unrealistic investment returns. The ACTU's assessment is that a principal driver in this structure is the blurring of the interest of the member with the financial interest of the alternative supplier, be it either the promoter of the alternative fund arrangement or the agent who is remunerated to sell the alternative product. In almost all the recent financial services sector misappropriations of recent times (particularly Westpoint, Trio and Storm) the motivation of financial interest from either principal or agent was the root cause of the misappropriation.
3. In those areas where tendering occurs within the industries covered by the current mainstream default settings, corporate tenders by industry funds have largely been on the basis of industry coverage. Many of the features of commonality with the industry are at play when these processes occur – by and large corporations will maintain strong relationships with industry associations and unions in a sector leading to the industry support groups being best placed to support a case for the principal industry fund to be the most appropriate tenderer. This is not to say there aren't a range of multi-industry corporations which from time to time will tender their in-house superannuation arrangements in which case, it is not unusual for industry funds representing the multiplicity of industry sectors to each see themselves as the rightful industry fund for such a corporation. This is simply a reflection of the multi-industry operation of some corporations and the fact that a single or limited sector fund wins a corporate tender does not generally lead to multiple retendering of the in-house scheme; invariably once a scheme is settled it becomes the long-term provider of superannuation and not a short term provider to be reviewed regularly by the employer to assess performance or other factors. This is to be contrasted to the retail sector which in general is industry agnostic and which tends to compete across all sectors, not taking into account that the value which is derived from working in collaborative arrangements.

4. Substitutability between funds is somewhat of a difficult issue in that there is often no effective measure of the comparability of offerings say between a retail fund and an industry fund and that what often appears to be competition on price alone, is often disguised by a range of inferior services behind the offering. The issue is from time to time seen where a retail fund will have a different offering to an active member as opposed to an inactive member and the effect of fees on the inactive member is not disclosed when offerings are made for default status or in a tender. The ACTU, as above, believes there should be broad guidelines on the offering to be provided so that relative homogeneity can be achieved in outcomes and that there should be a series of net effective indices established to allow for measurement of the effective value of the offerings.
5. The ACTU believes in full disclosure of fees throughout the supply chain, particularly in relation to the impact a fee structure has on the delivery of a downstream product, such as an investment return.
6. The ACTU does not believe there are reliable indicators to measure the effectiveness of competition. Given the propensity for non-related services and for “the selling of offerings” it is difficult to see how a pre-delivery assessment criteria could work effectively. And the consequence of relying on post-event performance factors is fraught with risk – invariably we have not seen underperformance alone, but indeed we have from time to time seen the destruction of all net worth. It is for these reasons the ACTU has advocated a more orderly and controlled system for the delivery of what we see as a national right.
7. There is often an assumption that competition can be “efficiency-enhancing”. Over thirty years experience in this sector has seen almost no tangible evidence of competition enhancing efficiency. In fact there is almost no evidence of sustained savings in administration costs and the reverse evidence – that is systematic increasing of costs – in the investment area. Indeed none of the removal of the impediments at the margin – the advent of retail funds into the default and corporate tender space – have seen any sustained evidence of cost reduction and no industry analysis suggests it may be forthcoming if impediments were further eased.
8. The real effectiveness in the system, particularly in a regulated system, is whether the system is delivering its national interest objectives. In its submission to the Department of Treasury on the Objective of Superannuation, the ACTU promoted the concept of a series of regular reports on how effective the system was in meeting these Objectives. A number of measures are possible in this regard, including:-
 - More effective analysis of whether average balances are meeting their objective of reaching assize where they genuinely commence to see changes in the statistics relating to the take-up of full and part-pensions;
 - The creation of more tangible goals on Adequacy and a report on whether those goals are being obtained in larger numbers.
9. The ACTU believes, in many cases, the SMSF sector is a creation of selling techniques as opposed to positive education on what is available to be done within the existing superannuation system. The ACTU’s response to the post-retirement phase (where SMSF’s are more likely to dominate those people who are sold an opportunity to take control of their accumulated assets) is to institute a mirror default system to the accumulation phase. Further the ACTU advocates the introduction of borrowing restrictions for SMSF’s which in the ACTU’s view, would dramatically decrease the attractiveness of the current sector and the inherent risk attached to it.

10. The ACTU does not believe transparency of conflict of interest is in itself an aid to competition; merely it puts in place a proper level of disclosure and ethical behaviour which would assist in returning the system more appropriately to one based on the best interests of members. The ACTU, in all recent submissions, has actively advocated consumer education and communication standards as integral parts of improving knowledge and effectiveness of the system.

THE ACTU'S VIEW ON EFFICIENCY MEASURES

The ACTU has a broad view on efficiency measures in that the appropriate approach to viewing efficiency should be through analysing whether actions taken to deliver the six supporting factors which underpin the ACTU's proposed Objective of Superannuation are appropriately providing outcomes in as optimal a manner as is practicable.

In respect of this, the ACTU believes the following comments in relation to factors 2 and 6 supporting factors are appropriate:-

2. The designation of the appropriate funds into which occupational superannuation should be paid and from which retirement income is to be drawn, subject to those funds meeting appropriate standards in their governance, efficiency and performance

- The most fundamental of responses to efficiency of funds in this regard is whether they are producing the optimal outcome for the stakeholders, that is are we maximising the accumulated outcome a member has when they enter the retirement phase. The outworking of this is a combination on the efficiency measures of the scheme, as detailed here, and the investment return as detailed in Section 6.
- The ACTU supports the view that the features arising from an analysis of the net benefit to member test should be the appropriate manner in which to test whether this outcome is being achieved. The key elements to measurement in such a test will be:-
 - An appropriate measure on the efficiency of administration should exist: this requires a robust analysis should exist to establish a standard set of administration requirements - including data base management of records, collection and processing of contributions, processing of benefits, member communication with the delivery of these features to be appropriately market tested and benchmarked in terms of cost and internally audited against an assessment of performance metrics.
 - An appropriate measure should exist on the cost of insurance – again, an analysis should exist to ensure there is an appropriate approach to insurance costs, including an ability to report on the relevant features of an insurance arrangement – the types of insurance, the levels of cover at various age distributions, automatic cover, exclusions, evidence of health requirements and continuation options. Profit sharing arrangements should also be reported. These features should be benchmarked to determine a net effective cost.
 - An appropriate measure should also exist in relation to the cost of investment: relevant factors in this case would include internal costs including third party

costs such as those that are generated when a subsidiary organisation is used as an investment manager, cost of consulting arrangements, manager costs including profit sharing arrangements, costs of administration of insurance. Costs should be benchmarked and a net effective cost calculated.

- The ACTU believes the above approach will successfully address issues relating to economies of scale (as questioned in the Productivity Commission's Issues Paper). Essentially economies of scale are recognised in the process of arriving at the cost structures funds will occur – be it through the price for an “administration service” or through the price of funding larger mandates to external managers. Those funds operating with diseconomies will quickly be identified in that their underlying cost structures will be highlighted in a benchmarking exercise, this approach ultimately being the best manner to measure the economies being realised currently.
- The ACTU's view is that these measures ought not to be prescriptive, but are indicators for the efficiency of fund systems. The ACTU's view is that there should remain an overarching reviewer of the system – such as Fair Work Australia currently is – and it should be incumbent on the reviewer to determine in a qualitative and quantitative manner, as to whether an individual fund is acting outside of a normal range of activity and as such whether it should retain default status for the particular area of its coverage.

6. Investment of funds on a long-term risk adjusted basis in which the dual objectives of investing in the members' best interest and investing in the national interest are able to be addressed in as complementary a manner as is possible.

- Funds should be assessed against their default investment option for members. The ACTU does not believe it is credible to assess against alternative options or life style type options in that these issues tend to put the assessor (in this case the Productivity Commission) in a position of selecting which fund is appropriate for an individual or alternatively making a judgement that one Trustee's assessment of life style options is superior to another.
- It is appropriate to measure net return to member as presented by a fund taking into account the fund expense issues as outlined above. An appropriate appraisal of net return to members might be to measure net return to members, but using an average of the fund expense issues listed above.
- It would also be appropriate to develop risk-adjusted measures to compare fund returns, taking into account whether portfolios will perform better in differing markets after taking account of the risk characteristics of the asset classes in which the fund invests.

OPERATIONAL EFFICIENCY

1. Objectives

The ACTU broadly accepts the Commission's proposed Objectives for operational efficiency, with the following comments:-

- Whilst we support overarching objectives, The ACTU also believes we should still consider the operational efficiency of key aspects of the system – such as administration, insurance and other ancillary services and investment efficiency. The value in continuing to seek better outcomes in these areas is a greater focus on the qualitative interaction members have with their fund and in turn it places a greater weight on achieving a better overall net cost outcome.
- In addition to these Objectives, the ACTU believes there should be an additional objective which reviews the operational aspects of the system to attempt to deal with improper activity – be it through areas like overcharging, financial gouging of the members of funds, or unethical behaviour in the processing of claims.

2. Assessment Criteria

- The ACTU supports the net present maximised net (post-fee) risk adjusted return on contributions as an appropriate measure for the Maximised investment return Objective.
- The ACTU proposes a net efficiency score as the assessment criteria for the operational efficiency of key aspects.
- Whilst not opposed to a Maximised net present value approach in relation to the Decumulation Objective, the ACTU also supports a more simple measure along the lines of an ability to meet a comfortable living standard measure.
- The ACTU supports a cost effectiveness measure for ancillary services.

3. Benchmarks

The ACTU believes that the development of appropriate benchmarks is essentially a function of this exercise and supports proposals to develop an index based on a long term performance of a selected group of existing default funds. The ACTU does not rely on any international benchmarks in this regard.

4. Fees

The ACTU sees the work in this area as a technical issue upon which we would rely on industry expertise for further guidance. In general terms, the ACTU, through its representation on superannuation fund Boards has participated in benchmarking exercises to establish a comprehensive set of administrative, ancillary and investment processes and we believe the industry would be in a better position to provide information on the outcome of these exercises.

5. Measures of Risk-Adjusted returns

The ACTU has tended to rely on the APRA series of returns as the basis upon which measures of return are most reliably known. However, it is widely acknowledged that this series has measurement flaws in that there is no standard practice for the allocation of costs, including related party costs, and as such the measures are sometimes criticised for not measuring like with like. The ACTU supports standardised and simplified reporting standards to enable better measurement and would seek impetus from the Commission's review to ensure that this type of practice was able to be built into the APRA series.

6. Measurement Using Benchmarking Approaches

The ACTU simply believes a most of the operational efficiency aspects can be built into appropriate benchmarks. The ACTU's approach of proposing a net efficiency score is ultimately a measure of the quality of service delivery.

7. Data Envelopment Analysis

The ACTU has no comment to make on this issue.

8. Effects of Regulation

The ACTU supports an approach of more regulation of the sector rather than less; the ACTU believes a number of key features of benefit design are integral in establishing minimum standards and a common architecture for the system.

The ACTU also supports a rigorous approach to elements of operational efficiency having consistent and thorough treatment. The ACTU believes the process of establishing those standards flows best from a review of the processes we describe above in respect of the benchmarking exercises to establish administration and associated processes.

ALLOCATIVE EFFICIENCY

1. Objectives

The ACTU is broadly supportive of the Objectives for Allocative Efficiency, but in addition would make the following comments:-

- The ACTU supports a process in which a broad policy architecture for the features of the superannuation system are developed and are more broadly understood. For instance the ACTU believes issues in this regard include rights to insurance coverage, prompt and accurate payment of contributions, better default consolidation of accounts when membership in a fund goes inactive, better access to financial advice and the like. The ACTU believes that representative industry groups, under the auspices of Government oversight, should agree on a wider list of the elements of this architecture. It is upon this structure that allocative efficiency can be better developed.

- The ACTU would be concerned about greater level of prescription on issues like the timing, rate and manner of withdrawals on the basis that the most efficient use of an individual's superannuation savings is highly dependent on individual circumstances – including housing and medical needs, family situations and access to other forms of saving and wealth into retirement years.

2. Benchmarking

- The ACTU is more cautious on the use of benchmarking to determine allocative efficiency in that many aspects of the allocative efficiency tend to depend more on individual factors than system factors.
- The ACTU does believe that allocative efficiency might be used to promote better system objectives in asset allocation and believes that the benchmarking of default fund portfolios would assist the delivery of this efficiency.
- The ACTU has been cautious about adopting life cycle investment allocations as a best-fit default approach in that such models tend to lead to more conservative investment allocations when demographic projections support longer investment horizons for retirees and investment theory would suggest that more conservative investment options will simply lead to lower living standards in the later years of retirement. As such, attempts to develop assessment criteria based on life cycle risk-return trade-offs are not supported.
- The ACTU's general comments in relation to Objectives and benchmarking for Operational Efficiency are also relevant to the proposed Assessment criteria for allocative efficiency in the decumulation phase.
- The ACTU supports satisfaction and product choice and quality measures as appropriate assessment criteria for ancillary matters.

3. Barriers

- In respect of the Principal-agent problems, the ACTU believes there are inherent and insurmountable problems associated with a principal-agent system which simply implies a conflict between an objective of the best interests of members and the individual interest of the principal and agent.
- The ACTU reiterates its concerns on the difficulty in attempting to develop measures with individual behaviour.

DYNAMIC EFFICIENCY

1. Objectives, Assessment and Indicators

- The ACTU supports the Commission's general analysis of Dynamic Efficiency including the proposed Assessment Criteria and Indicators.
- The ACTU believes that industry funds provide the most effective structure of representation to alleviate some of the tensions which arise in dynamic efficiency - particularly a lack of engagement with superannuation. Within a structured default

model, the ACTU believes the approach of co-ordinated education on industry issues and general improvement on communication (in a non-sales oriented manner) will be more achievable.

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