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Superannuation
Productivity Commission
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Dear Commissioners

Issues paper – Superannuation Efficiency and Competitiveness

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the Productivity Commission's review into the efficiency and competitiveness of the superannuation system. Further, we support the Commission assessing and developing alternative models for allocating default fund members to superannuation products.

The focus of the review should be on the overall long-term value and net benefits provided to fund members and maximising retirement outcomes.

We encourage the Commission to take a broad approach when developing the criteria with which to assess the efficiency and competitiveness of the superannuation system as is being canvassed in the issues paper.

More importantly, we believe the Commission should also consider developing criteria to assess the effectiveness of the superannuation system in meeting the objectives of the superannuation system that the Government are currently consulting on and intend enshrining in law.

We agree with the Commission drawing on a range of performance indicators, however we believe the focus should be on outcomes as the ultimate purpose of the superannuation system is to maximise retirement outcomes for retirees. Similarly, it is important to assess the barriers to meeting these outcomes.

Proposing recommendations that encourage greater competition in the sector should be one of the major outcomes of the Commission's review. However, in drafting such recommendations, the Commission should be conscious that they may lead to some funds focussing on attracting or retaining fund members rather than pursuing outcomes that are in their members' best interests.

As an example, many superannuation funds appear to be constructing and managing their asset allocations so they can be compared against their peers on 'league tables', creating a focus on short-term investment performance to the possible detriment of long-term retirement outcomes for their members.

Similarly, focussing on fund mergers achieving economies of scale may not be in members' best interests when many small funds have unique features or membership profiles and they may be able to achieve scale in other ways, such as pooling administrative services or investments with other funds.

When considering criteria for assessing the efficiency of the superannuation system, we believe the Commission should also consider the following:

- The purpose of superannuation funds - is it purely to facilitate individuals to satisfy their retirement savings needs or are there also more immediate purposes?
- The variety of non-core services provided by superannuation funds, such as banking, insurance and health insurance, and their impact on members satisfying their retirement savings needs.

- The overall leakage of fees to the various service providers along the supply chain to a superannuation fund, such as administrators, custodians, insurers and investment managers, and the long-term impact on retirement savings.
- The allocative efficiency of the payment/collection of Superannuation Guarantee (SG) contributions such as the requirement to pay such contributions quarterly and the process for addressing non-payment of contributions.
- The allocative efficiency of the choice of fund process for employers and the provision of the choice of fund form.
- The allocative efficiency and economic impact of the often proposed policy of requiring funds to allocate a certain percentage of their funds under management to particular classes or types of investment.
- The impact of improving financial literacy on member engagement.

We look forward to participating in subsequent consultations during the Commission's review. Should you have additional questions regarding this submission, please do not hesitate to contact Michael Davison, Senior Policy Adviser - Superannuation.

Yours faithfully

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