

Submission to the Superannuation Assessing Efficiency and Competitiveness Draft Report
by Neville Gordon in a private capacity as a past and present ordinary Member of several
Superannuation Funds.

My submission will be brief, and looks at some more general issues.

Introductory comments

First, I have worked at one stage of my career as an Industrial Engineer. I mention this to draw your attention to an old engineering statement, which I believe applies to Industry Superannuation where published figures record consistent general superior performance over the retail (for profit) funds. The statement is ***If it ain't broken, don't fix it.***

Suggestions have been made of requiring the industry funds to have independent directors, like the retail funds. I ask WHY – as I said *if it ain't broken, don't fix it.* Currently the industry funds have representatives of unions and companies – a low cost approach that reduces the leakage of funds from benefiting members.

Comparison of types of funds

In various media and industry reports, funds are generally divided into 3 types –

1. Retail funds – eg owned by banks and seeking profit for shareholders
2. Industry funds – not for profit owned by their members
3. Self Managed Super Funds (SMSF) – owned by individuals or small numbers of individuals

In relation to performance, a report last September and mentioned in *The New Daily* 20 November 2017 shows that the **17 best performing funds are industry funds**, and also that the fees for the industry funds are considerably lower than those for retail funds – around 1.58% for retail vs around 0.58% for industry was mentioned. Also the report from *SuperRatings* stated that the not-for-profit funds took the first 23 of the top 30 positions over the 10 years to September 2017.

The not-for-profit using its current model is thus doing very well for its members – and so should be left to continue with the current model of governance and management. As I said at the beginning, *if it ain't broken, don't fix it.* Any attempt to impose independent, highly-paid independent directors can only be a negative factor in performance.

After all, if you are seeking efficiency, why try to undermine the most efficient sector of the superannuation industry.

I am not making any comments in relation to SMSF – I leave it for others with experience in that field to comment.

Multiple funds

Whilst I agree that fees can impact on multiple fund membership, this is only significant when the balances are quite low, and “extras” are not duplicated. The reason for this is that fees are mainly based on a percentage of the assets in the fund – the fixed charges are quite low. However, I do agree that care is required to ensue that items like death cover, TPI insurance, etc are not being duplicated, so that is something that should be considered for all funds – retail, industry and the SMSF.

Submitted by:

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