

20 August 2017

Submission to Productivity Commission – Competitiveness and Efficiency of the Australian superannuation system

I would like to bring to the Commission's attention, what appears to be an emerging issue in superannuation, of employer organisations levying unnecessary fees on employees' contributions to their superannuation funds.

In 2017, a large public health organisation in Victoria with over 9,000 staff introduced a 'superannuation cost' of 2% on amounts employees contribute from pre-tax salary into superannuation.

Whilst a fee of 2% may seem modest, it will arguably exceed the actual cost of administration, particularly when regular contributions are put in place and not changed. I have been advised by my employer that "costs to salary package pre-tax superannuation is not uncommon and varies from a flat fee to 5% in Victorian Health Services".

Small changes to practices, such as these fees on contributions over the superannuation accumulation period, could have a noticeable impact on a person's final superannuation balance, and may act as a disincentive to save additional amounts through superannuation.

It would appear to be too easy for employer organisations to levy fees under the guise of cost recovery, and to subsequently increase the rate charged such that a profit is made. I have been advised by the organisation that any surplus generated from salary packaging goes to fund other organisational programmes, this is irrelevant to me, as it conflates the goals of the organisation with the interests of employees saving for retirement.

I submit that this issue is worthy of investigation by the Commission.