

Superannuation: Assessing Efficiency and Competitiveness

Points:

1. Regarding “Default fund A superannuation fund to which an employer’s Superannuation Guarantee contributions are paid if the employee does not choose an alternative fund.”

Between 2000 and 2016 I worked as a teacher in NSW for the Catholic Education Commission, the default superannuation fund for us was the Australian Catholic Superannuation & Retirement Fund (ACSRF). However, I already had superannuation savings in a commercial fund from previous employment (AMP). I was not allowed to keep AMP as my default fund, i.e. have my superannuation from Catholic Education go into my AMP account. This is an arrangement between the Union (Independent Education Union of Australia – NSW&ACT) and Catholic Education. Over a period of many months I complained to Catholic Education (Parramatta and Sydney dioceses) pay office; to the Union and to ATO saying legally I am entitled to choose my own super fund. All I got from these organisations was cut and paste responses and in the end I was forced to use the ACSRf. I eventually rolled my AMP super into the ACSRf account (under duress).

This is still the situation in 2018 in that all employees of Catholic Education (teachers and other staff), and thus 1000s of staff, are forced to use the ACSRf. So, this supposed freedom of choice to select your own fund (“choose an alternative fund”) does not exist. I am not sure if this scenario also applies in other industries, but it is an issue that needs to be addressed.

Workers should have the true right to select their own superannuation fund, as above this freedom does not currently exist for all workers.

The above scenario also highlights a reason why “A third of accounts (about 10 million) are unintended multiple accounts. These erode members’ balances by \$2.6 billion a year in unnecessary fees and insurance.”

2. Regarding “Fees remain a significant drain on net returns”.

I am now currently retired and have rolled my superannuation monies into a retirement pension fund. Last month I received a letter from my fund (Colonial First State) advising they will be charging me a \$102.50 “regulatory reform” fee. They also charged me this fee in 2017 and advised they will continue to charge this fee in the future. The reason for this fee is:

“Over recent years, the Government has introduced a number of mandatory regulatory reforms aimed at making the Australian super and pension system more efficient and to help maximise retirement incomes. These reforms

introduced by the Federal Government were some of the most significant to Australia's superannuation system over the past decade.

These reforms have been highly technical and complex to implement and continue to evolve. The nature of these regulatory reforms mean we have invested significant resources ensuring we comply with them and we expect new reforms will continue to be introduced across the industry over the coming years.”

Although \$102.50 is a small amount, however if multiplied by number of policy / fund customers it is a significant amount.

To me this is a concern that superannuation and retirement funds are effectively increasing fees on grounds they must be more compliant. Surely reforms are aimed at reducing individuals' fees not increasing them. Also, surely complying with government changes in regulations is a normal business cost which should be absorbed by the business (e.g. reduce CEOs payments) not passed onto members.

The Productivity Commission needs to ensure that any proposed changes to superannuation and retirement funds does not equate to funds using this as an excuse to increase fees; as has happened in the case above.