

5 April 2012

Default Superannuation Funds in Modern Awards
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Email: default.super@pc.gov.au

Dear Sir/Madam,

DEFAULT SUPERANNUATION FUNDS IN MODERN AWARDS

AustralianSuper provides this submission in relation to the inquiry into Default Superannuation Funds in Modern Awards.

AustralianSuper is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 1.8 million members and \$42 billion in members' assets, and our sole purpose is to provide the best possible retirement outcomes for members.

The context for our submission is that we don't believe that there is a compelling argument for moving away from the current procedure for the determination of default super funds in Awards.

However, should a determination be made to shift from the current arrangements, we believe that the best retirement outcomes for employees should remain as the overriding principle against which all decisions are measured. We support the creation of an appropriate set of criteria and a robust process for the selection of a limited list of good performing funds for inclusion in Awards.

We have detailed our position on a number of issues relating to the Issues Paper. In making this submission we are in broad agreement with the arguments presented in the submission made by Industry Super Network.

Executive summary

AustralianSuper believes that an adequate case is yet to be made for the need to change the current default arrangements in Awards. However, if changes are to be made, we believe the Productivity Commission should give appropriate weight to a number of key issues in order to achieve the best retirement outcome for employees.

AustralianSuper submits:

1. What is in the best interests of employees must be the central tenet of the inquiry.
2. It is appropriate to provide employers, through Awards, choice from a limited universe of appropriately licensed and good performing funds, given the low engagement, high complexity nature of superannuation.
3. Fair Work Australia (FWA) is the appropriate body to make informed decisions about all workplace, industry and Award matters. The parties of standing to FWA are best positioned to understand the needs of employees, employers and the workplace.

4. APRA is the appropriate body to determine performance against the agreed criteria and provide it to FWA by using past performance data and new MySuper data.
5. MySuper compliance is an important precondition for consideration by FWA but is insufficient as it does not reflect long-term, net returns or provide protections against subsequently “flipping” members into higher cost offerings on cessation of employment.
6. Long-term, net returns is the single most important factor in influencing an employee’s retirement outcome and should be the most heavily weighted criteria in assessing eligibility for inclusion as a default fund in Awards.
7. No fund listed as a default fund should be able to move a member into a higher cost offering without the member’s explicit written consent (that is a ban on “flipping”).
8. The process must allow all eligible funds the opportunity to apply to be considered by FWA and the parties to the Award.
9. There must be a robust review process relating to the ongoing eligibility of funds named in Awards.
10. The notion of a ‘level playing field’ between different types of funds, whilst relevant to funds themselves, is not relevant when determining what is in the best interests of employees.

No case for change

As the Commission has noted, there are currently more industry funds nominated as default funds than retail funds. We submit that this has not, on the whole, been detrimental to members. Long-term performance results from APRA show that the industry super fund sector has outperformed the retail fund sector¹. Fees charged by industry funds are generally lower than comparable retail funds².

There is no evidence that employers, large or small, are calling for change. In a survey of medium sized businesses (between 20 and 500 full time employees) that had employees covered by an Award, employers were asked³ if they would prefer to nominate an alternative fund to that in the Award. Over 90% said it was not an issue for them. In terms of overall satisfaction⁴ with their default funds, the respondents awarded an average of 7.73 out of 10, a slight improvement on 2009 and similar to 2007 levels.

“There is also a level of comfort for our employees to have a default fund prescribed in the Award as it means they don’t have to worry about choosing one for themselves and neither do we have to do it for them (I’m not the expert in super!). The Award prescribed default fund is a safety net for those employees who don’t want to make use of the “choice of fund” options.”

Darryl Prince, Director Strategy and Human Resources, ISS (12,000 employees)
ISS is a leading global provider of facility services.

¹ APRA Superannuation Fund-level Rates of Return June 2011 (Issued March 2012) pgs 14-18

² SuperRatings: Net Benefit research, 30 June 2011

³ Cameron Research Group: The Australian Medium Sized Business Market for Superannuation: 2011, May/June 2011, pg48.

⁴ Ibid pg 95

Superannuation is largely seen by employees and employers as a complex issue but it is one where a better choice of fund can have a significant impact on an employee's final retirement outcome. In such an environment there is a need to provide employers with a limited list of good performing options from which to choose when they are acting on behalf of an employee.

"I believe it is necessary to protect the entitlements of the employees and, at the same time, provide an easier path for the employer to invest the entitlements in a safe, reliable, well run and profitable Fund.

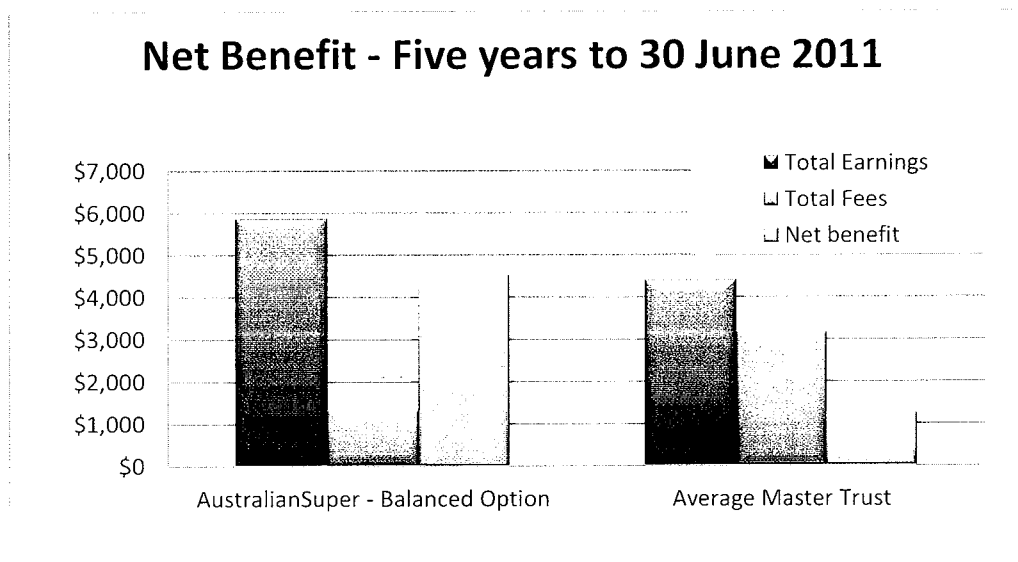
Bill Sutherland, Financial Controller, Heritage & Heritage Funerals (12 employees)

1. Employee's best interests must be central tenet

At all times, we believe the core criteria that should apply to the Productivity Commission's consideration of this issue should be, what actions will assist to deliver the best retirement outcome for the affected employees.

Given the long-term nature of the investment, decisions, either good or bad, will compound positively or negatively on the retirement savings of millions of people.

Over the past five years to June 2011 for every one dollar AustralianSuper charged in fees the Fund returned \$4.40 to members, compared with the average retail master trust which returned \$1.40 for every dollar in fees charged. If this difference were projected over a lifetime, it would be very substantial.



SuperRatings: Net Benefit research, 30 June 2011. Assumptions: \$20,000 Start Balance \$50,000 Salary 3.5% pa Salary Increase 9% SG Contribution. Investment returns net of taxes but gross of fees

Poor decisions about choice of funds will also impact negatively on the nation's level of retirement savings through poor net returns.

This is particularly important in light of the concessional tax treatment of superannuation.

2. In a low engagement, high complexity environment, who chooses their super?

In research concluded two years ago, AustralianSuper⁵ found that of people who had changed jobs in the previous two years, 43% chose a non-default super fund, 26% chose the default fund and the remaining 31% were placed into the employer's default super fund as they made no choice. This research highlights that whilst many people understand they can choose their super fund, the majority rely on the default fund. This makes it vital for employees to have a high performing default fund.

In a survey of medium sized businesses (between 20 and 500 full time employees), almost three quarters of respondents indicated that over 50% of their employees/management had their super with the default fund.⁶

The inclusion of provisions for default superannuation in Awards is necessary to reduce the risk of poor decisions inadvertently being made by employers on behalf of their employees.

3. Fair Work Australia to make informed decisions

Fair Work Australia (FWA) is the appropriate body to make determinations about Award provisions and they have appropriate skills and experience to call on expert advice and opinion from parties of standing in order to make informed and considered decisions in relation to matters covered in Awards.

4. APRA is the appropriate body to determine performance against the agreed criteria

APRA, as an independent regulator and collector of financial sector data, will be able to provide information on which funds have historically performed best, and will be able to provide long term performance data.

APRA is currently tasked with collecting and publishing statistical data on fees and performance of superannuation funds. Under the Outcomes Reporting Standards, which are a feature of the Stronger Super reforms, APRA will collect further data from superannuation funds that relate specifically to MySuper offerings.

The pending MySuper comparison framework in the Stronger Super reforms, known as the Outcomes Reporting Standards, is the framework that is best able to deal with the concerns that have been raised in the issues paper and is being designed to address some of these issues. For example:

Recommendation 4.1:

"...APRA, ...should develop outcomes reporting standards as an overlay to the existing accounting standards...to facilitate consistent and comparable reporting by large APRA funds of investment performance and costs at investment option level, including for MySuper products."

Recommendation 4.2:

"In addition to whole of fund reporting, APRA should publish investment return performance data for MySuper products."

Issues around collection of past and future performance data are dealt with in Item 6 of this submission.

⁵ Source: AustralianSuper research conducted by Forethought Research: *Channel Acquisition and Retention*, April 2010

⁶ Cameron Research Group: *The Australian Medium Sized Business Market for Superannuation: 2011, May/June 2011*, pg72

5. MySuper is not enough for nomination as a default fund under Awards

MySuper products or options under the Stronger Super reforms represent a minimum set of operating criteria - they do not, and do not purport to, go to the issue of comparative outcomes for members. Accordingly, AustralianSuper strongly asserts that MySuper compliance, in itself, is not sufficient for the selection and ongoing assessment of superannuation funds eligible for nomination as default funds in Awards.

AustralianSuper believes that in addition to being a MySuper product, superannuation funds must be able to meet the following additional criteria in order to be eligible for consideration for inclusion as a default fund under an Award:

- 1) Net returns (that is, returns after the deduction of all fees, costs and taxes) over an appropriate benchmark (say above median performance over a rolling ten year average) and
- 2) The MySuper product is prohibited from engaging in fund flipping.

6. Long-term net returns is the single most important factor

In relation to the Commission's Issues Paper, we consider point two *The medium to long term net-of-costs investment performance of the default investment option* to be the single most important criteria to include. This more than any other aspect has the largest impact on a member's retirement outcome.

AustralianSuper believes that only those funds that have a demonstrated capacity to deliver superior net returns to members over the long-term should be eligible for nomination as default funds in Awards.

Many MySuper products will be new products and will not be in a position to readily demonstrate investment performance history. In this circumstance, APRA will need to be able to deal with new entrants by way of a proxy figure developed using data measures prescribed by APRA for like investments as follows:

1) *Where an existing investment option is converted to a MySuper option*

Where an existing investment option becomes a MySuper option under the Stronger Super reforms, this would be the easiest and most accurate proxy to establish for comparison purposes. This should be done under rules prescribed by APRA to ensure consistency of methodology used by funds.

2) *Where existing investments are converted to a single MySuper option*

For funds that develop a new MySuper option that is a combination of existing investments, the long-term past performance can be assessed using attribution analysis based on performance. This should be used as an appropriate proxy for actual performance of the new MySuper option.

3) *Where a MySuper provider has no previous investment performance history*

As stated, the single most important criteria to include for nomination for default fund status under Awards is long-term past performance. Where APRA is unable to develop an appropriate proxy figure for a new investment option using credible data, we believe this option should not be eligible for consideration as a default under Awards. Only those MySuper offerings with a demonstrated capacity to deliver superior net returns to members over the long-term should be eligible.

The issues of past performance for comparison purposes and the relevant period of past performance are covered in Chapter 4 Outcomes Reporting in the Stronger Super Information Release of 21st September 2011.

APRA will shortly commence industry consultation on the proposed data collection for the Outcome Reporting requirements under the Stronger Super reforms. One of the purposes of the proposed data collection is so that APRA can provide data which can be used to compare MySuper products. This data will ultimately be made available publicly for comparison between MySuper products to determine which MySuper products have better long-term investment performance.

AustralianSuper believes that this data will be useful information to assist in determining whether a MySuper product is appropriate to be nominated as a default fund under an Award.

AustralianSuper suggests that net returns over an appropriate benchmark (say above median performance over a rolling 10 year average) be included as part of the minimum eligibility criteria for inclusion as a default fund in an Award. We believe that performance figures for comparison of MySuper products should be net of all fees, not just investment fees – this is a true measure of 'returns' provided to members.

We note that APRA will be tasked with collecting comparison data of MySuper products returns net of fees, costs and taxes. This data will be net of administration and other fund fees as well as investment fees.

7. No “flipping” of members

Point seven of the Commission’s proposed criteria deals with fees charged. AustralianSuper is concerned about the impact of fund “flipping” on members of many funds. This is a pervasive practice in the superannuation industry whereby additional fees are charged to members when they cease employment with a particular employer. Generally members are unaware of these changes to their fee structure.

These additional fees are charged automatically against members’ accounts and are a significant factor in eroding retirement outcomes for superannuation fund members.

Members can have greatly reduced retirement outcomes where product providers make excessive profits from fund members through “flipping” them to more expensive offerings without their explicit consent.

As MySuper does not deal with the problem of fund “flipping” additional safeguards are required when determining default fund under Awards to ensure that default fund members are not paying excessive fees when they leave their employer, but do not change their superannuation provider.

Under the current legislative proposals, a superannuation fund offering MySuper must offer a product with a standard set of fees to all prospective members, but the product actually received by members may vary according to arrangements between their employer and the fund.

The practical impact of permitting variation in fees for different employer arrangements is that superannuation funds will be able to transfer - “flip” – members from an artificially low-priced MySuper product, offered to all employees of that employer, to a much higher-priced MySuper product in the same fund when they leave that employer.

This enables super funds and superannuation trustees to promote an unsustainably low MySuper fee in the knowledge that the losses or low margins will be able to be recouped later by charging a much higher fee when members are transferred. The transfer does not require a member's express consent at the time, because the transfer is seen as a feature of the initial product on joining.

AustralianSuper calls on the Commission to recommend that the practice of flipping be prohibited for funds who seek default fund status in Awards.

This could be achieved by securing a binding commitment from funds to not move a member to a more expensive option without their explicit written consent in advance, which is distinct from their initial joining process.

This submission outlines two real-life examples to demonstrate the impact of flipping.

Example 1: Company A

Company A engaged a retail super fund to run their super. They recently retrenched a large number of employees. The retail super fund "flipped" the effected employees into a more expensive offering on cessation of employment.

Fees before "flipping"

Prior to retrenchment, the fees in the subplan of the relevant superannuation trust were based on:

- 1.2% on contributions to the fund, and
- a 0.45% Investment Management fee.

The fees for a member with a **\$50,000 account balance** and \$5,000 annual contributions under this arrangement is **\$285.00p.a.**

Fees after 'flipping'

When Company A employees who were retrenched and made no decision about their superannuation, their superannuation benefits were transferred to the personal division of the retail super fund. (This scenario is raised because under the Stronger Super reforms, *both* divisions of the superannuation trust could be MySuper products). On transfer to the personal division of the retail super fund, the member's fees are based on:

- An asset based administration fee of 0.70% of the account balance (capped at \$2,000 p.a), and
- A 0.45% Investment Management fee.
- The administration fee is not charged for the first two months of membership.

The fee for a member in the personal division with a \$50,000 account balance and \$5,000 annual contributions is **\$516.67p.a.** in the first year, and **\$575.00p.a.** for a member with a \$50,000 balance in subsequent years.

The fees for a member with a **\$176,200 account balance** (the average account balance in this fund) and \$5,000 annual contributions increased from **\$852.90p.a.** in the employer plan to **\$1,820.73p.a.**, and subsequently to **\$2,026.30p.a.**

The table below compares the fee increase for each respective account balance and displays it as a percentage increase as well.

Balance with \$5000 contributions				
\$50,000 account balance	\$285pa	\$575pa	\$290	101.7%
		For ongoing years		
\$176,200 (average account balance)	\$852.90pa	\$2,026.30pa	\$1,173.40	137.6%
		ongoing years		

Example 2: Company B

Company B is another large employer who negotiated terms with a retail super fund. The fee structure changes once the employee resigns.

Fees whilst employed with Company B

Employees pay:

- no administration fee, and
- an investment management fee of 0.39% p.a. of their account balance.

This fee consists of the estimated Indirect Cost Ratio (ICR) of 0.65%, less a rebate of 0.26% off this fee under a deal struck between the employer and the superannuation trust.

The fees paid by members with a **\$50,000 account balance** are \$195 p.a. Members invested in an option with an investment management fee of 0.26% or less pay no fees.

Fees when employee resigns and are 'flipped'

When employees leave the employer, their super is transferred into the fund's personal division and they pay the following fees:

- administration fee:
 - 0.70% of first \$100,000,
 - 0.55% from \$100,000 to \$250,000,
 - 0.40% from \$250,000 to \$500,000,
 - 0% above \$500,000 and:
- Member fee: \$102.10 p.a. and
- Estimated ICR: 0.65%p.a. (an investment management fee).

On this basis, the annual fees on a \$50,000 and a \$500,000 account balance respectively would be calculated as:

\$50,000	\$350	-		\$325	\$102.10	\$777.10
\$500,000	\$700	\$825	\$1,000	\$3,250	\$102.10	\$5,877.10

The table below compares the fee increase for each respective account balance after a member has been fund flipped and displays it as a percentage increase as well.

	Before flipping	After flipping	\$ Cost Increase to member	% increase after flipping
\$50,000 account balance	\$195pa	\$777.10pa	\$582.10	298.5%
\$500,000 account balance	\$1,950pa	\$5,877.10pa	\$3,927.10	201.4%

We believe this issue requires significant regulatory consideration and are concerned that none of the proposed prudential standards that APRA is consulting on, or guidance by ASIC as the conduct and disclosure regulator, deal with the long term effect that such offers have on members' retirement account balances.

In the absence of MySuper provisions ensuring fairness to existing employer fund members and to flipped members we seek to confirm that cross-subsidization will not be able to continue under the default fund Award provisions.

It is noted that the *Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Bill 2012* ("TOPS") will introduce new requirements intended to enhance trustee obligations and to act fairly in dealing with classes of beneficiaries and beneficiaries within a class.⁷ In its current form it is our view that this requirement is insufficient to deal with fund flipping.

Other criteria

The Commission's Terms of Reference identified seven potential criteria that could be considered in relation to the determination of appropriate default super funds for Modern Awards. Suggested criteria two (long-term performance) and seven (flipping) have already been addressed in this submission. In relation to the other considerations we say:

1. The appropriateness of the investment strategy of the default investment option of the fund in terms of risk and expected return

In the assessment of suitable super funds for inclusion in Awards, investment strategy is important but it is the long term outcome that matters most. It is crucial to keep sight of the purpose of super, that is, to deliver the maximum retirement benefit possible. Long term net returns can be directly attributed to delivering this outcome for members.

There is sufficient new regulation of investment strategy requirements for superannuation funds generally and for MySuper offerings in particular under the *Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Bill 2012*, including new investment strategy covenants applying to trustees.

2. The level of fees incurred by members

Whilst MySuper will go some way to make it easier to compare offers from different funds, it does not consider the net returns of an offer. The net return is the amount of super that the member receives once the investment returns and all administration costs, investment fees and taxes are taken into account.

⁷ Proposed sections 52(2)(e) and (f) of the *Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Bill 2012*

AustralianSuper supports the inclusion in the criteria of the provision of an objective assessment of the net benefit that has been delivered to members based on standard set of criteria for example age, salary, account balance.

3. The scale of the fund and the level of services provided to fund members

AustralianSuper believes scale provides the opportunity to deliver benefits that provide the best retirement outcomes for members. We note the recent APRA report that found large industry funds out performed large retail funds and smaller funds.⁸

However it is the outcome for members as opposed to scale per se that is the relevant consideration. In addition to net performance, the benefits of scale can include accessibility, education, advice, communication, improved governance and superior product and insurance offerings.

4. The suitability and cost of insurance provided by the fund

Insurance is of great importance to members and employers. It is an important factor to consider but is best done in the context of the occupational profile of the industry involved and will be influenced by a number of factors including claims history. This is a matter best considered by FWA in the context of an Award by Award, fund by fund analysis.

5. The governance of the fund

AustralianSuper believes that compliance with the governance provisions that are part of the Stronger Super reforms, combined with oversight by the relevant statutory bodies is sufficient for funds seeking to be nominated in Awards.

8. Determining the appropriate process for nomination of default funds in Awards

In order to facilitate the effective implementation of any changes to the criteria relating to the selection of default funds in Awards, the process relating to the nomination and eligibility of funds, the determination of past performance, the role of parties and grandfathering issues need to be clearly articulated.

Proposed nomination process

AustralianSuper proposes a simple, transparent two-phase process for the nomination of default funds for inclusion in Awards.

The first phase should deal with *eligibility* to be considered for nomination as a default superannuation fund under an Award. We see three essential elements to eligibility.

Each can be objectively determined drawing on readily available data:

1. Whether the fund concerned has a MySuper product. In this case the nomination will relate to the MySuper product of the fund, and not any other Choice products operated within the same superannuation fund.
2. Confirmation by APRA that the MySuper product meets or exceeds an appropriate performance benchmark of, say, above median performance over a rolling ten year

⁸ APRA Working paper: *Effect of fund size on the performance of Australian superannuation funds*, March 2012

average, measured by returns net of fees, costs and taxes, consistent with the requirements of the *Superannuation Amendment (Trustee Obligations and Prudential Standards) Bill 2012*.

3. A condition precedent to nomination on Awards is that members cannot be 'flipped' out of the MySuper offering once they have ceased employment with their employer, or otherwise ceased contributions being made into that MySuper product.

Under this proposal all those Trustees with MySuper Products that have been able to demonstrate to APRA that they have met the objective criteria as outlined above should then be entitled to be considered for nomination as default funds in Awards by the parties of standing.

The second phase would leave scope for industry specific considerations of the needs of members, employers and the workplaces involved by Fair Work Australia. The fundamental question that Fair Work Australia is tasked with considering is "*will a worker benefit if a particular fund is to be named as a default fund in this Award?*" Relevant considerations of Fair Work Australia may include:

1. Taking into account the views of those parties that have standing in relation to the relevant Award. (Superannuation funds have never had standing under Awards as superannuation is only one component of many contained within Awards, and superannuation trustees are not industrial parties.)
2. Whether the insurance offering is appropriate to the industries subject to the Award.
3. The experience and coverage of the fund in the relevant industry.

We note that individual employers are under no legislative obligation to act in the best interests of their employees when making a decision about their default fund. We do not seek to burden employers with a fiduciary-like obligation in this circumstance. An Award system which includes superannuation, and has employees' best interests as the central tenet, should assist individual employers in making good decisions about their default super fund.

Determining past performance

We acknowledge that some funds may use an existing investment option for their MySuper offering but for many their MySuper offering may have an investment option that is different to any current long-term options that have a long-term performance history.

We submit that for funds that have the same investment option and this has a long-term history then this history be used to assess past performance over the relevant time frame.

Further, for those funds that use a different investment option but the long-term past performance can be assessed using attribution analysis based on the performance of their other options then this should be used as a proxy for actual performance.

Finally, given the importance of investment performance, we contend that new funds with no appropriate long-term investment performance should not be eligible for consideration as a default fund.

The role of industrial parties to the Awards

AustralianSuper supports the current arrangements as set out in the *Fair Work Act 2009* (Cwth) in relation to parties of standing.

We believe that it is entirely appropriate that the employers and employees covered by the Award, or organisations that are entitled to represent their industrial interests, are the only parties of standing.

Grandfathering

Any grandfathering arrangements should be subject to the envisaged operation of the Stronger Super reforms – if a fund in an Award is *not* a MySuper product after 1 October 2013, then it should not be in an Award either. If it has its APRA licence revoked then another MySuper product in that same Award should be used for new default Superannuation Guarantee contributions.

9. Determining ongoing eligibility for nomination of default funds on Awards

If a superannuation fund has met the eligibility requirements for nomination as a default fund under an Award, it is appropriate to ensure that if the fund no longer meets those eligibility requirements, that at a point in time they cease to be eligible for such nomination.

The timing aspect of this issue can be appropriately dealt with under the existing system of Award negotiations. Industrial Awards are generally reviewed every four years. This is an appropriate point in time in which to review the nomination of funds as default funds under such Awards. This would include taking funds through the two phase process described above, which includes the objective criteria to determine eligibility for nomination as a default fund on an Award, and then the secondary process of FWA consideration.

Under the suggested criteria all funds nominated must be, as a minimum, MySuper products. If, during the intervening period between Award negotiations any nominated default funds cease to hold a MySuper authorisation, they should simultaneously cease to be a default fund nominated under the relevant Award. This measure will ensure that contributing employers are able to maintain compliance with their Superannuation Guarantee obligations in addition to their Award obligations.

We propose that there should be at least two funds nominated under any Award to ensure that employers have an alternative fund under an Award to which they can pay default SG contributions. This is necessary in the event that one fund loses its MySuper authorisation, and therefore is ineligible to be on an Award, or alternatively loses its place as a default fund under an Award as a result of failing to meet eligibility criteria on an ongoing basis.

10. A level playing field between types of funds is irrelevant

We note that the Commission is seeking views on whether “there is a level playing field” between industry funds and retail funds in relation to nomination as default funds under Awards. We submit that the concept of a level playing field between types of funds, whilst relevant to funds themselves, is entirely irrelevant to the critical issue of members’ best interests.

We suggest that there is no need for any regulatory delineation in nomination for default fund selection that makes allowance for whether a fund is an ‘industry’ fund or a ‘retail’ fund. We suggest that the Award nomination process be silent on this issue as a minimum.

Other issues

We note that the considerations of the Productivity Commission are likely to cover much similar ground to that being developed as part of the Stronger Super reforms, (for example, measurement of scale, and superannuation fund data under the outcomes reporting standards). We submit that where this is the case that consideration of the Stronger Super proposed framework be made.

With respect to the additional questions posed in the Issues Paper we contend that these should be dealt with by FWA which should be guided by the central question of whether or not the specified fund meets the specific needs of the workers covered by the Award and drawing upon the expertise of the parties of standing.

In conclusion, whilst we do not agree that there is a compelling argument for changing the current system, AustralianSuper supports transparency and contestability as desirable features of a default fund selection process.

We strongly commend the use of objective criteria to determine eligibility for consideration for nomination as a default fund under an Award, and note however, that MySuper criteria is only one part of this, with an appropriate net returns benchmark and prohibition of 'flipping' to be added as a minimum.

The criteria needs to be accompanied by APRA input derived from their data collection role as prescribed in the Stronger Super Outcomes Reporting Standards.

AustralianSuper is proposing a simple two-stage process drawing on available information and expertise to ensure members' best retirement outcomes are promoted.

We support the role of Fair Work Australia in considering certain subjective criteria as proposed by either of the parties of standing as secondary measures.

Yours sincerely

IAN SILK
Chief Executive