

## **SUBMISSION IN RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT ON DEFAULT SUPERANNUATION FUNDS IN MODERN AWARDS**

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for and on behalf of AJ & BJ Smith Pty Lf  
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### **Preamble**

As an approved provider of Residential Aged Care Services that employs a staff of 70 dedicated employees, as well as being a long serving Director of the HESTA Superannuation Fund, the author recognises the importance of Productivity Commission being able to make recommendations to Government that will enhance the superannuation default funds selection process so as to benefit fund members and contributing employers.

Our company has entered into two separate enterprise bargaining agreements, both of which include an identical preferred default fund clause and have been approved by the Fair Work Australia. On neither occasion during the secret ballot process did any eligible member of staff vote against adoption of the EBA.

The chosen default fund continues to provide regular on-site education sessions for our employees on superannuation and insurance matters

### **Preferred Default Fund Inclusions into Modern Awards**

We fully support the ISN proposal for a two tiered approach to this issue, as follows: -

- The first is an objective assessment of the performance of a MySuper fund. Only those funds that meet the required performance threshold should be able to apply to be named as default funds in awards. Funds that flip members into a more expensive product when they leave their employer should also be prohibited from qualifying.
- The second stage involves Fair Work Australia (FWA). As part of the regular award review process undertaken by FWA any party, including funds and their representatives, could apply to be named in any one of the current 122 modern awards. To be able to do so the fund would need to not only demonstrate that they have met the objective criteria, but would also have to argue why they should be one of a limited (possibly maximum 5-10 funds) that will be named in each award.

### **Critical Issues**

It is our submission that the following issues are critical and warrant serious consideration in the Productivity Commission's final report to Government: -

- the importance to employers of ease of interface with a fund
- the reluctance of employers to take the moral responsibility for choosing a default fund - employers simply want to choose from a small number of proven funds in awards

- it is appropriate that the process be overseen by Fair Work Australia – and employers generally have preference for the default fund choice to be part of the industrial process via Fair Work Australia
- support for a system that applies an objective criteria process, with agreement that the key objective criteria should be focused on net-returns to members and include the absence of flipping
- We do not favour the opt out provisions suggested in the draft report as these are unworkable and would be open to abuse, and may further entrench the process of flipping of members to more expensive options when they cease employment with the employer – in the case of retail super funds that offer more expensive personal plans

We respectfully submit that the addressing of these critical issues will provide added safeguards to the best of interests of both members of approved default superannuation funds and their contributing employers. It will also provide added confidence to growing number of employees, particularly those who are part of an ageing workforce, as is the certainly the case in health and community services sector, to continue to increase their retirement savings by making pre-tax and/or post tax contributions into default superannuation funds