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Sally Loane: case for superannuation fund choice ‘compelling’

By Glenda Korporaal

The report of the royal commission into trade unions and the Murray report into the financial system have made a “compelling case” for changes to allow people to choose their superannuation fund, Financial Services Council chief executive Sally Loane said yesterday.

Picture: Renee Nowytarger

“There is now a very compelling case for law reform on superannuation,” Ms Loane told *The Australian* .

“Not every Australian can choose their own super fund.

“Now we have seen two major reports — the royal commission into trade unions and the Murray report into the financial system in 2014 — which have made very compelling cases for law reform to allow every Australian to choose their own super fund.”

Federal Assistant Treasurer Kelly O’Dwyer said recently the government planned to introduce legislation to remove superannuation from enterprise bargaining agreements in the early days of this year’s parliament.

She said the aim would be that super would not be able to be part of EBAs negotiated from July this year.

Presently, almost 2 million Australian workers, or about 20 per cent of the workforce, have their default super fund determined for them in their EBAs.

As the royal commission report highlighted, the existing system favours industry super funds, which are nominated in EBAs. The report dealt with the case of the $32 billion construction industry super fund, Cbus, which stood to lose as much as 20 per cent of its revenues if it lost its default super status in the enterprise agreements of the Construction Forestry Mining and Energy Union.

The report has recommended that the Superannuation Guarantee Act be amended to allow "all employees (to) have freedom of choice of superannuation fund".

It also recommends that there be a new civil remedy added to the Fair Work Act to ban a person from organising or threatening to take action, other than protected industrial action, to coerce an employer to pay money to a particular employment fund, super fund or employee insurance scheme.

But the federal government's legislation to ban super from EBAs could face strong opposition from the industry super fund sector, which mounted a strong campaign last year against the federal government's proposed legislation to have a minimum of a third of super fund trustees being independent.

The industry fund sector argues that its current model of having equal representation from unions and employers as super fund trustees is an essential part of the success of its model.

But the federal government argues that having at least a third of all trustees being independent is critical for the governance of super funds.

The government was forced to hold off putting the enabling legislation to a vote in the Senate in November as it was unable to get sufficient support from the crossbenchers.

Industry Super Australia and the Australian Institute of Superannuation Trustees announced in November that they would be appointing former Reserve Bank governor Bernie Fraser to conduct a review of the not-for-profit super sector to develop a best practice code of conduct by April this year.

Mr Fraser became a strong advocate for the industry super fund movement after retiring as RBA governor.

Ms Loane said superannuation was one of the few consumer market sectors that was still protected from competition by legislation.

"This is one of the very last protected sectors," she said.

"I can't think of any other decision that we make as consumers where we are locked out of choice and competition.

"Every 10 years we have reports by the Productivity Commission into how we can make our economy more productive and more competitive.

"We have had tariff reductions and protection removed from just about any other part of the economy, including agriculture and manufacturing, but super is still protected.

"We still have laws that lock people out of making a choice about their super."

Ms Loane, whose organisation represents the big retail super funds, such as AMP and Westpac's BT, said it should be remembered that contributing 9.5 per cent of wages into superannuation was compulsory.

"It is a mandatory system where people's funds are locked up for as much as 40 years during their working life," she said. "Consumers should be able to make a choice about it.

“Competition means open markets. In any other part of the economy it would mean fees will come down, results are better and innovation is let off the leash.”

Mr Loane said allowing all employees to choose their own super fund would also increase people’s engagement with their super.

“People say that consumers are not engaged with their super,” she said. “But that happens when -people don’t have a choice. If everybody can make a choice then people will become more engaged.”

Ms Loane said the FSC also supported the federal government’s legislation for a third of trustees to be independent.

“Superannuation is a $2 trillion industry. It is one of the biggest sectors of the economy. It deserves the strongest governance requirements, not the weakest.”