



MEDIA RELEASE

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New analysis shows need for competition in super to protect consumers

New research by the Financial Services Council (FSC) demonstrates that modern awards suppress competition in the superannuation system to the detriment of consumers.

A comprehensive analysis of the modern award system, which covers more than two million Australians, shows that industry, government and corporate superannuation funds, count for 95 per cent of all the 500+ MySuper listings in the 122 modern awards. MySuper is a Government-designed, APRA approved superannuation product for employees who do not choose their own fund.

Industry funds, which are owned by the unions and employer organisations, are by far the biggest beneficiary of the modern award system and make up 88 per cent of all MySuper listings. Industry funds' privileged position ensures they receive the lion's share of the \$9 billion in annual default contributions.

Sally Loane, the CEO of the Financial Services Council said: "The concentration of industry funds in the modern award system, where retail funds are prevented from competing by law, means that more than two million consumers don't get the benefit of full competition. Our analysis supports the conclusion of the Murray Inquiry that genuine competition is urgently needed in the default superannuation market.

"If competition reforms are introduced and industry and retail funds are forced to compete in an open and transparent market, fees in superannuation should fall."

The FSC analysis also shows:

- Retail funds comprise only 5 per cent of MySuper funds in modern awards (this figure is mainly as a result of the pre-modern award legacy); and
- 83 per cent of retail funds who have APRA approved MySuper products are excluded from the default modern award system entirely.

Sally Loane said: "The exclusion of 83 per cent of retail funds from the default market by the industrial tribunal means that some of the lowest fee and highest performing MySuper products are prevented from competing with industry funds."

For example, ANZ Smart Choice super charges only 50 basis points, approximately half the fee of the average industry fund, yet is not named in any modern awards.

Sally Loane said: "We urge the Government to increase competition by reforming the laws which enable concentration of union controlled industry funds in modern awards.

"The Government must move towards an open and competitive market where any APRA authorised MySuper product is free to compete."

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.3 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.